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M.P. EVANS GROUP PLC
ANNUAL REPORT 2011

We are committed to producing environmentally-sustainable palm oil and adopting the highest standards of animal welfare for our beef cattle

PORTFOLIO OF ASSETS AS AT 31 DECEMBER 2011

- 21,600 planted hectares of majority-held, established oil-palm plantations in Indonesia plus a 40-tonne-per-hour mill in Sumatra and a new 60-tonne-per-hour mill in Kalimantan
- 5,000 hectares of associated smallholder co-operative schemes
- 22,100 planted hectares of minority-held (of which Group's share 8,200 hectares) established oil-palm and rubber plantations in Sumatra, Indonesia plus two 60 tonne-per-hour palm-oil mills and a crumb-rubber factory
- 31,000 hectares of cattle-backgrounding land in southern Queensland, Australia
- 34 4% interest in a leading Australian cattle company, NAPCo, owning 5 8 million hectares in Queensland and the Northern Territory
- 70 hectares of plantation land in Peninsula Malaysia, with property-development premium
- 40% share of a substantial property-development company, Bertam Properties, near Penang Island, Malaysia with a land bank of some 455 hectares
- Net current assets of US$47 56 million as at 31 December 2011

LAND ASSETS BY VALUE

CONTENTS

The map of the venue of the annual general meeting is shown on the inside back cover

Summary of results

FOR THE YEAR ENDED 31 DECEMBER 2011	2011 US$'000	2010 US$'000
Revenue	57,756	42,091
Gross profit	25,919	21,887
Group-controlled profit before tax	24,350	19,359
Profit for the year	39,696	24,448
Equity attributable to the owners of M. P. Evans Group PLC	337,975	307,578
Net cash inflow generated by operating activities	48,339	19,417
	US Cents	US Cents
Basic earnings per 10p share (continuing operations)	66.39	41 17
	Pence	Pence
Dividend per 10p share in respect of the year	8.00	7 50

Managing director's statement

2011 was a very good year, with the profit increasing by 62%

The new palm-oil projects in Indonesia are starting on an upward curve of production and the established estates (both majority owned and associates) achieved better yields As a result, the f f b crop from the majority-owned estates was 27% higher than in 2010 at nearly 250,000 tonnes Average palm-oil prices for 2011 were at most satisfactory levels and have improved so far in 2012 Progress continues with planting on the new projects but inevitably it is slowing as the latter stages of development are approached Suitable new land continues to be sought

In Australia, a small gross profit was again achieved whilst NAPCo generated a markedly-improved profit, having enjoyed good rainfall early in the year Its expanded feedlot is now in operation

In Malaysia, Bertam Properties continues its successful property-development activities and, although there was only one small land disposal in 2011, a number of others are in the pipeline

Philip A Fletcher, FCA

Financial

- Profit for the year US$39 70 million (2010 US$24 45 million)
- Earnings per share US cents 66.39 (2010 US cents 41.17 cents)
- Dividends for the year increased 8 00 pence (2 25 pence interim already paid) compared with 7 50 for previous year

A very good year which saw the completion of the Group's palm-oil mill in East Kalimantan, enabling the capture of additional sales value.

The Group remains on track for f.f.b. production of 300,000 tonnes in 2012 and 500,000 tonnes in 2015.

Group highlights

Indonesian palm oil

- Plantation profits 19% higher at US$25 83 million (2010 US$21.68 million)
- Palm-oil price averaged US$1,123 per tonne – 2010 US$905 per tonne
- Indonesian crops of f f b 27% higher than in 2010 as crops increase from new projects and established estates. 10% higher on associates' estates
- Group's total planted area, including its share of associates' areas, increased to 29,800 hectares (2010 - 28,400 hectares)
- Palm-oil price has picked up sharply in 2012, currently around US$1,175 per tonne

Australian beef cattle

- Improved profit by associate, NAPCo, and repeat of small profit for Woodlands
- Australian beef-cattle prices remained reasonably strong in 2011
- Good rainfall in Australia in early 2012 has benefited Woodlands and NAPCo properties

Malaysian property

- Much improved development profits by associate, Bertam Properties, with minimal land disposals in 2011
- Bertam Estate benefiting from Bertam Properties' development activity

Market information

Palm oil Although on a downward trend for most of 2011, the average palm-oil price (Rotterdam c i f) was substantially higher, at US$1,123 per tonne, compared with US$905 in 2010 The price has been on an upward trend in the early part of 2012 and is currently around the historically-high level of US$1,175

- Palm oil is used mainly as a cooking oil but also in margarine, shortenings (cakes, biscuits), soap, cosmetics, lubricants and more recently in bio-diesel
- Palm oil has the lowest cost of production and is the most productive of all the major vegetable oils Over 5 5 tonnes per hectare per annum can be produced, compared with around 0 5 tonnes for its main rival, soybean oil
- Palm oil is now the world's largest vegetable oil, with production in 2011 of 50 2 million tonnes and 34 4% of the global production of the major vegetable oils. Soybean oil is the second largest with 41 5 million tonnes and 28 4% Palm-kernel oil accounts for a further 5 6 million tonnes (3 8%)

(SOURCE OIL WORLD)

AGE PROFILE OF THE GROUP'S OIL PALMS

DISTRIBUTION OF PLANTED HECTARAGE BY AGE INTERVAL AS AT 31 DECEMBER 2011

Beef cattle Australian beef-cattle prices remained steady at historically-good levels during 2011 as the US herd shrank to its lowest level for nearly 60 years

- Australia is the world's largest beef exporter with some 20% of global trade
- Australia is well placed geographically to serve Asia – the world's fastest-growing beef consumer
- NAPCo (34 37% held) is one of Australia's leading beef-cattle companies with fifteen properties covering an area of 5 8 million hectares

Chairman's statement

OVERALL RESULTS

I am delighted to report a profit for the year of US$39 70 million, an increase of 62% over last year's US$24 45 million Earnings per share were US cents 66 39 (2010 US cents 41 17)

Strong palm-oil prices and increasing crops of oil-palm fresh fruit bunches ("f f b ") on the new projects and the established estates (both majority owned and in the associated companies) were the prime reason for the improved results

DIVIDEND

The board is pleased to recommend an increased final dividend for the year of 5 75p per share which compares with last year's final dividend of 5 50p per share Together with the interim dividend of 2 25p per share paid in November 2011 (November 2010 – 2 00p), the total for the year amounts to 8 00p, an increase of 0 50p from the previous year A scrip-dividend alternative is again being offered

STRATEGIC DEVELOPMENTS

Indonesia

The Group continued in 2011 on its course towards completing the development of the two new projects, in East Kalimantan and Bangka As at the end of the year, a total of 17,100 hectares had been planted on these projects of which 5,000 hectares were on behalf of the smallholders' cooperatives These cooperatives are managed by the Group and, in East Kalimantan, their f f b is already being processed in the Group's mill (see below) The upward trend of crops continues on both projects as new areas mature and yields increase on those areas that have already matured A total of 2,020 hectares were planted on the new projects in 2011 of which 560 hectares were for the cooperatives The areas planted are reviewed in more detail in the "Review of 2011", on pages 14 to 16

I am pleased to confirm that the palm-oil mill and the jetty, bulking and warehousing installation in East Kalimantan were completed on time at the end of 2011 The mill has had a successful start, achieving good extraction rates from the f f b supplied by the project and from f f b purchased from the associated cooperatives and other nearby estates Processing of the f f b by the Group's own mill adds considerably more value than is achieved by selling the fruit to third-party mills

As a result of the increasing crops that will be generated by the two new projects, the Group is on track to produce 300,000 tonnes of f f b from its majority-owned plantations in 2012 and 500,000 tonnes in 2015 from palms that have been planted to date The overall crop was approximately 250,000 tonnes in 2011 These increased crops will generate significantly higher revenues and cash flows but the level of these will, of course, depend upon palm-oil prices

Agreeing terms with local people to release land for planting remains a time-consuming task, as does the process of finalising and obtaining the ultimate land title, the hak guna usaha (HGU) Accordingly, it is difficult to predict how much further land will be available for planting on the two new projects Much will depend upon the success or otherwise of negotiations with local people but management's latest estimate is that, on the East Kalimantan project, a further 3,200 hectares in total may be available of which 1,000 hectares would be allocated to the smallholder schemes On the Bangka project, a further 5,600 hectares in total are thought to be possibly available for planting of which 2,600 hectares would be allocated to the smallholders' cooperatives

Management is actively seeking to secure further land, preferably near the East Kalimantan project Land is not easy to come by but the Group will only consider areas with acceptable agricultural features which are environmentally suitable

Australia

The Group's 34 37% shareholding in The North Australian Pastoral Company Pty Limited ("NAPCo") remained unchanged during the year However, the board continues to review any opportunities to acquire additional shares in the company as and when they arise

Palm-oil crops from the new projects were, as expected, 99% higher than in 2010 and the expansion of the NAPCo beef-cattle feedlot, Wainui, was completed

Further progress at NAPCo was made during the year towards the achievement of two significant strategic initiatives First, the expansion of the company's feedlot, Wainui, was completed This has enabled greater economies of scale and also more flexibility of timing, in terms of bringing cattle into the feedlot at younger ages when conditions warrant it The second initiative is the ongoing programme of drilling new boreholes on the company's main breeding property, Alexandria Station The water improvements of recent years have enhanced the safe-carrying capacity of the property and enabled the number of calves branded annually to be increased in the last decade from some 32,000 to 40,000 today The water-development programme on Alexandria will continue in 2012, after which NAPCo's board will review the prospective benefits of continuing with the programme

In addition to the two strategic initiatives described above, the company, for a second successive year and as a result of the favourable season, took the opportunity to acquire additional steers for fattening Whilst 14,000 head were purchased in 2010, the limited number of good-quality cattle available for purchase and consequent high prices resulted in a lesser number, 8,500, being purchased in 2011

Notwithstanding the favourable prospects for Woodlands resulting from the increase in its herd and the development of its pastures, it remains the board's intention in the longer term to sell the property

Malaysia

The Group's two principal remaining interests in Malaysia are the 70-hectare Bertam Estate and its 40% share of Bertam Properties Sdn Berhad ("Bertam Properties") Whilst the board ultimately plans to sell both of these, this is not considered an urgent priority It is expected that, in the short term (the next two to three years), Bertam Properties will continue to generate significant cash flows from land sales and from its successful property-development activities The value of Bertam Estate is likely to continue to escalate as a result of the continuing development of the (adjoining) Bertam Properties project

PALM-OIL ACTIVITIES AND MARKET

Although, along with many agricultural commodities, palm-oil prices eased during 2011, they remained at historically-high levels with an average for the year of US$1,123 per tonne (Rotterdam c i f) compared with US$905 per tonne in 2010 The European debt crisis generally had a negative impact on commodity prices but, later in the year, concerns that dry weather in South America might adversely affect the soybean-oil price drove the palm-oil price up This strengthening continued in the early part of 2012 and the current price level is around US$1,175 per tonne

F f b crops from the majority-owned Indonesian estates, at 249,300 tonnes, were 27% ahead of last year's 196,400 tonnes The crops from the new projects, in East Kalimantan and Bangka, were, as expected, sharply higher (by 99%) than in 2010 as new areas mature and yields increase on those areas which have already reached maturity Yields on the established estates in Sumatra increased further (by 16%) with the investment in upgraded infrastructure and improved harvesting standards starting to pay off A further small improvement in the extraction rate (from 23 0% to 23 2%) at the Pangkatan mill was also achieved

The associated company, PT Agro Muko, reported an f f b crop 11% higher and an extraction rate of 23 9% compared with last year's 22 7% In addition, the rubber crop, following the decision to delay the replanting programme, was 30% higher The other Indonesian plantation associated company, PT Kerasaan Indonesia, reported similar f f b crops to 2010

BEEF-CATTLE ACTIVITIES AND MARKET

Prices for lighter-weight cattle, such as those fattened on Woodlands, traded at firm levels during the course of 2011 Favourable seasonal conditions across most parts of Australia underpinned strong competition for limited supplies of cattle Prices for the grain-finished, heavier cattle, such as those produced by NAPCo, which are more export-orientated, also traded at historically-strong levels but were a little more volatile in response to the fluctuations of the Australian Dollar The strength of the market was further supported by the continuing decline of the US cattle herd

CURRENT TRADING AND PROSPECTS

Palm-oil prices were on a downward trend for most of 2011, albeit still at historically-high levels, but there has been a sharp upturn in the first part of 2012 to the current level of around US$1,175 per tonne (Rotterdam cif) With weather concerns in South America affecting sentiment in respect of soybean oil, competition for land between corn and soybeans in the US and an upturn in demand for vegetable oils, price prospects in the short term appear to be encouraging

F f b crops have made a good start in 2012, with 66,500 tonnes harvested from the majority-owned estates up to the end of March, a 20% increase over the same period last year

Cattle prices have eased from the higher levels seen in 2011, but nonetheless remain at historically-firm levels Growing demand in Asia and the continuing decline of the US cattle herd would indicate that the medium-to-long-term outlook for Australian beef-cattle markets remains positive

PROPOSED ADOPTION OF THE NEW EXECUTIVE SHARE-OPTION PLANS

The Company's two existing executive share-option schemes, one of which was approved by HM Revenue & Customs ("HMRC"), expired in July 2011 and February 2012 No further options may be granted under these schemes

The directors, with the support of the remuneration committee, are of the view that it would be appropriate to seek shareholder approval to replace the existing schemes with the M P Evans Group PLC 2012 Approved Executive Share-Option Plan (the "Approved Plan") and the M P Evans Group PLC 2012 Unapproved Executive Share-Option Plan (the "Unapproved Plan") (together, the "Plans") The main terms of the Plans are described in the appendix to the notice of annual general meeting on page 79 The Plans are on similar terms to the existing schemes

It may be appropriate to grant options under supplements to the Plans to accommodate those employees who are resident outside the United Kingdom Shareholders are asked to approve a resolution giving the Company authority to establish similar arrangements to the Plans (resolution 13)

Any overseas arrangements would be subject to the same overall limits on the percentage of the Company's share capital available under the Plans

Copies of the draft rules of the Plans will be available for inspection at the Company's registered office during normal business hours on any weekday (Saturday and public holidays excepted) from the date of this document up to and including the date of the annual general meeting, and on that date at the place of the annual general meeting at least 15 minutes before and during the annual general meeting

DAVID WILKINSON

As shareholders will be aware, David Wilkinson stepped down from the board on 31 December 2011 I should like to place on record the board's appreciation to David for his able input over the thirteen years for which he worked for the Group This included both the management, and subsequent sale, of the Malaysian estates and the identification, procurement and initial management of the new Indonesian projects I am pleased to report that he is continuing to work for the Group, part time, as a consultant, and will assist and advise us on Malaysian and Indonesian matters

JOHN ELLIOTT

After 40 years with the Group, John Elliott retired on 31 December 2011 In his early years with the Group he worked in the share-registration division The scope of his work broadened, and following the merger in 2005 he became company secretary of M P Evans Group PLC On behalf of the board I should like to thank him for his considerable contribution over a long career with the Group We wish him well in his retirement

I should like to take the opportunity to welcome Claire Hayes, a solicitor with commercial experience, who has been appointed as company secretary

ACKNOWLEDGEMENTS

As ever, I should like to thank, on behalf of the board, the Group's managers, staffs and workforces in our various fields of operation in Indonesia, Australia and Malaysia, for their hard work and loyalty in what has proved another highly successful year

Peter Hadsley-Chaplin
Chairman
26 April 2012

Review of 2011

Results

GROSS PROFIT FROM AGRICULTURAL ACTIVITIES

The gross profit achieved by the Indonesian plantation operations amounted to US$25 83 million, 19% higher than the US$21 68 million achieved in 2010 This significant improvement was as a result of markedly higher crops of oil-palm fresh fruit bunches ("f f b ") on both the new projects and the established estates and continuing robust palm-oil prices

The Kalimantan project is in its very early stage of development and, as would be expected, recorded a loss since the revenue from early yields does not outweigh the costs of field maintenance and harvesting However, with the f f b crops expected to increase significantly year by year, and with the new palm-oil mill now operating, profitability and positive cash flows are expected in the near future

In Australia, on Woodlands a modest gross profit (US$0 11 million), similar to 2010 (US$0 25 million), was recorded Cattle prices remained reasonably firm despite the increasing strength of the Australian Dollar

As a result of the above, the Group gross profit amounted to US$25 92 million (2010 US$21 89 million) A detailed breakdown of this is set out in note 4 to the consolidated accounts on pages 51 to 52 The results of the Group's palm-oil and cattle activities are reviewed in more detail in the reports commencing on pages 12 and 18

BEARER BIOLOGICAL-ASSET ADJUSTMENT

Even though the price of crude palm oil broadly fell during 2011, it nevertheless remained at high levels seen in an historical context As a result, the 20-year average price used in the valuation of biological assets rose sharply from US$533 per tonne to US$572 per tonne This increase in value was partly eroded by an increase in costs Some of these arose as a result of initiatives to drive up field standards that are expected to lead, in due course, to upward revisions in expected future yields Overall, the increase in prices outweighed the increase in costs, and the valuation of oil palms already planted at the beginning of the year increased by US$13 71 million In addition, new hectarage planted during 2011 added US$4 23 million to the value of the Group's biological assets, whilst the sale of 175 hectares to the cooperative schemes attached to the Group's development in East Kalimantan removed US$1 37 million In total, therefore, the Group's biological assets increased by US$16 57 million during the year under review

OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses, at US$2 70 million, were substantially lower than for 2010 (US$4 93 million) This was primarily due to a reduction in the provision for impairment of the amounts deemed recoverable from the smallholder cooperative schemes in East Kalimantan and Bangka The finance for planting the land allocated to the cooperatives is provided, in the first instance, by the Group At a later stage, bank finance is provided to the cooperatives, whereupon most of the loans from the Group are repaid A review of the recoverability of these loans is carried out twice a year and the 2011 reviews indicated that more was recoverable than was thought to be the case in 2010 Accordingly, the provision was reduced in 2011 by US$0 96 million, compared with an increase in the provision made in 2010 of US$1 35 million, a movement of US$2 31 million

The Company's share price was lower at 31 December 2011 than it was at the end of 2010 As a consequence, the provision for UK National Insurance on the future exercise of share options under the executive scheme was reduced at 31 December 2011 by US$0 13 million, compared with the increase in the provision in 2010 of US$0 62 million, a movement of US$0 75 million

ASSOCIATED COMPANIES

The Group's share of its associated companies' profits for the year, including the share of biological bearer-asset adjustments in the Indonesian oil-palm plantation companies, compared with last year were as follows

		2011			2010		
	% HELD	POST TAX PROFIT BEFORE BIOLOGICAL BEARER ASSET ADJUSTMENT US$ 000	BIOLOGICAL BEARER ASSET ADJUSTMENT (SEE NOTE BELOW) US$ 000	POST TAX PROFIT AFTER BIOLOGICAL BEARER ASSET ADJUSTMENT US$ 000	POST TAX PROFIT BEFORE BIOLOGICAL BEARER ASSET ADJUSTMENT US$ 000	BIOLOGICAL BEARER ASSET ADJUSTMENT (SEE NOTE BELOW) US$ 000	POST TAX PROFIT AFTER BIOLOGICAL BEARER ASSET ADJUSTMENT US$ 000
PT Agro Muko	36 84	**13,912**	**2,357**	**16,269**	9,029	(2,933)	6,096
PT Kerasaan Indonesia	38 00	**1,880**	**472**	**2,352**	1,745	(68)	1,677
Total Indonesia		**15,792**	**2,829**	**18,621**	10,774	(3,001)	7,773
NAPCo	34 37	**4,231**	**—**	**4,231**	2,365	—	2,365
Bertam Properties	40 00	**1,786**	**—**	**1,786**	2,987	—	2,987
Total		**21,809**	**2,829**	**24,638**	16,126	(3,001)	13,125

Biological bearer-asset adjustments	2011		2010	
	PT AGRO MUKO US$ 000	PT KERASAAN INDONESIA US$ 000	PT AGRO MUKO US$ 000	PT KERASAAN INDONESIA US$ 000
Cost of sales	**316**	**26**	276	25
Gain/(loss) on biological assets	**3,397**	**808**	(2,615)	(56)
Planting expenditure	**(571)**	**(205)**	(1,572)	(60)
Deferred tax	**(785)**	**(157)**	978	23
	2,357	**472**	(2,933)	(68)

INDONESIA

PT Agro Muko had an outstanding year, achieving significantly higher f f b crops, improved extraction rates and benefiting from strong palm-oil prices The company's rubber operations also benefited from strong prices and, as a result of delaying the replanting programme, markedly higher crops were achieved PT Kerasaan Indonesia's f f b crop was similar to 2010 but the higher palm-oil price resulted in increased profits As a result of the above, the Group's share of the post-tax (pre-biological-bearer-asset adjustments) profits of these two associated companies was 47% higher than in 2010

Similar to the Group's own areas, biological assets in the Group's associated companies benefited from an increase in the price of crude palm oil

The new Bangka project

One of the NAPCo breeding properties

The positive effect of this price increase was further strengthened in PT Agro Muko's case by a small reduction in unit costs during 2011 rather than the anticipated inflationary increase Together, these effects resulted in an increase of 6% in the biological value per hectare of PT Agro Muko's oil palms notwithstanding the age profile of its plantings In PT Kerasaan Indonesia there was also an increase in biological value, but in this case significant new planting was the main force behind the increase, though it too benefited from the increase in the price of crude palm oil used in establishing biological value

The Group's share of the post-tax, post-biological-bearer-asset-adjustment profit of the Indonesian associates amounted to US$18 62 million, a 140% increase over 2010

The Group's share of dividends from PT Agro Muko in 2011 amounted to US$16 58 million (gross), compared with US$8 84 million (gross) in 2010 The Group's share of dividends from PT Kerasaan Indonesia was US$2 01 million (gross) (2010 US$1 41 million (gross))

AUSTRALIA

NAPCo enjoyed another excellent year, as a result both of widespread rainfall across all of its properties, giving rise to lush pastures and good weight gains, and of firm cattle prices throughout the year Despite the sharp increase in the number of cattle sold of 57,200, compared with 36,800 in 2010, the herd increased slightly from 195,300 to 197,600 head As a consequence, the Group's share of NAPCo's profit for the year was US$4 23 million, compared with US$2 37 million in 2010 The Group's share of NAPCo's dividends for 2011 amounted to US$0 96 million (gross), compared with US$0 48 million (gross) in 2010

MALAYSIA

2011 was a successful year for Bertam Properties' property-development activities with continuing strong demand for its housing and other commercial-property products The Malaysian property market has remained reasonably robust

There was a small compulsory acquisition of the group's land during 2011 but, unlike in 2010, there were no land sales, although a number of transactions are on their way through and are expected to be completed, and taken to account, in 2012

The group's post-tax profit for the year amounted to US$4 47 million, compared with US$7 47 million in 2010 (of which US$6 68 million related to land sales) The Group's share of the post-tax profit amounted to US$1 79 million (2010 US$2 99 million) The Group's share of Bertam Properties' dividends in 2011 amounted to US$2 61 million (2010 US$3 73 million)

The results and operations of the Indonesian, Australian and Malaysian associated companies are reviewed in more detail in the reports on pages 12 to 23

PROFIT FOR THE YEAR

As a result of all of the above, the Group profit for the year amounted to US$39 70 million, a 62% increase over 2010's US$24 45 million

Mrs Anne Fletcher officiating at the opening of the Kalimantan mill

INDONESIAN Palm oil

The new
Kalimantan
mill

Grading fruit
at the
new mill

In Indonesia concentration on yield improvement, including improved infrastructure, is paying excellent dividends

PALM-OIL MARKET

The palm-oil market held up above the historically-high price of US$1,000 per tonne (Rotterdam c i f) throughout most of the year, although it was on a generally-declining trend World stocks of palm oil increased during the year and the prices of agricultural commodities eased in the wake of the European debt crisis Palm oil was no exception However, concerns towards the end of 2011 that dry weather in South America would adversely affect the soybean crop added upward pressure on vegetable-oil prices and accordingly, palm oil has strengthened markedly to the current level of around US$1,175 per tonne

MAJORITY-OWNED SUMATRAN ESTATES

CROPS AND PRODUCTION

	2011 *TONNES*	INCREASE %	2010 *TONNES*
Crops – f f b – Pangkatan group	**149,300**		130,200
– Simpang Kiri	**50,200**		41,200
	199,500	16	171,400
Production (Pangkatan mill)			
– crude palm oil	**34,700**	16	30,000
– palm kernels	**8,500**	16	7,300
	%		%
Extraction rate – crude palm oil	**23 2**		23 0
– palm kernels	**5 7**		5 6

As the effects of improved agricultural standards and upgraded infrastructure (mainly roads and drains) are increasingly felt, this is being reflected in improved output The f f b crop for 2011, at 199,500 tonnes, was some 16% higher than the previous year The increase in Pangkatan mill's extraction rate over the last few years continued in 2011 as the engineering team achieved a further incremental improvement

REVIEW OF AGRICULTURAL OPERATIONS

The programme of upgrading the estate roads (mainly heightening and stoning in low-lying areas) and drains (extending, widening and de-silting) was largely completed in 2011 As referred to above, this has had an immediate effect on yields as water levels during wet spells have been kept at acceptable levels, preventing flooding Roads are now usable in all weathers due to resurfacing and better drainage Areas previously not reachable during times of high floodwater can now be accessed at all times and crop evacuated

Turning compost at the new mill

No replanting was undertaken during 2010 whilst the new management team conducted a detailed evaluation of the estates The programme re-started in 2011, and some 310 hectares of oil palms were replanted Routine replanting will continue in 2012 and thereafter

Significant improvements have been made in the production of compost at the Pangkatan mill The compost is created from the "empty" fruit bunches after the fruitlets have been removed to which is added the liquid effluent from the mill The resulting nutritious compost is particularly rich in potassium which removes the need to apply potash where compost is applied Nutrient levels have improved in the compost produced and better crops are expected as a result of this in the future on Pangkatan Estate

Immature palms on the Group's new project in East Kalimantan

NEW PROJECTS – EAST KALIMANTAN AND BANGKA

The Bangka project recorded an increased profit from its operations as its crop is on an upward trend and palm-oil prices were at good levels As would be expected from a project at a very early stage, the East Kalimantan operations recorded a loss This was, in part, due to its f f b being sold at unfavourable levels to a third-party mill until the new mill was able to process the f f b at the end of the year The initial production in the last weeks of 2011 of 900 tonnes of palm oil and 200 tonnes of palm kernels were retained in stock before being sold in early 2012

PLANTING

The new projects are maturing in line with expectations As at the end of 2011, over 5,100 hectares had been declared mature in the two locations With the successful commissioning of the new palm-oil mill in East Kalimantan, the f f b from that project is now being processed into crude palm oil and palm kernels

During 2012, 2,020 hectares were planted on the two projects, of which 560 hectares related to the smallholder cooperatives Some 175 hectares of land planted before 2011, and included in the Group's land areas as at the end of 2010, were sold to the cooperative schemes during 2011

Planting continues to a high standard and the areas planted per year have slowed as the projects, particularly the one in East Kalimantan, approach their final stages There are two main constraining factors with regard to new planting The first is the lengthy and complex negotiations with local people that are required to determine which areas are to be developed for the Group and which for the cooperative schemes The second is the time taken in agreeing and establishing an acceptable level of compensation

As the remaining areas get smaller and the development nears its end, this process tends to become more protracted This is particularly the case with the East Kalimantan project which is approaching its final stage Management conducts the negotiations in respect of land compensation in a fair and open manner and the resulting agreements are properly documented

As referred to in recent annual reports, it is difficult to predict what further land will be available for planting either by the Group or on behalf of the cooperatives Much depends upon negotiations with local people with respect to purchasing land and the resolution of other land-title issues In East Kalimantan, the latest indicative estimate is 11,400 hectares for the Group's area (including what has already been planted) plus 4,600 hectares in respect of the cooperatives In respect of the Bangka project, 6,000 hectares in respect of the Group's areas plus 4,000 hectares for the cooperatives is thought possible This would represent an ultimate total Group planted area for the two projects of 17,400 hectares and 8,600 hectares for the cooperatives

Applications have been made to the Indonesian authorities for the title documents, the hak guna usaha (HGU), in respect of the majority of the areas described above on Kalimantan and Bangka for both the Group and the cooperatives This can be a lengthy process Further HGU applications will be made as and when it becomes clearer which areas of land will be planted

CROPS AND PRODUCTION

	2011 *TONNES*	INCREASE %	2010 *TONNES*
Kalimantan	23,100	279	6,100
Bangka	26,700	41	18,900
	49,800	99	25,000
Production (Kalimantan mill – December 2011 only)			
– crude palm oil	900	—	—
– palm kernels	200	—	—
	%		%
– crude palm oil	23 2		—
– palm kernels	4 4		—

Part of the new Kalimantan mill

EAST KALIMANTAN

As at the end of 2011, some 3,700 hectares of the Group's land and 1,200 hectares of land owned by the associated cooperative schemes had been declared mature 1,320 hectares were planted during 2011 of which 430 hectares related to the cooperative schemes At 31 December 2011, 12,800 hectares in total had been planted on the project of which 3,600 hectares belong to the cooperative schemes

Prospects for the project are encouraging The areas have been well planted and agricultural conditions are good As the areas mature, management is concentrating on yield maximisation, ensuring that upkeep standards are continuously improved and estate infrastructure is well maintained Initial yields are encouraging

The 60-tonne-per-hour mill and the jetty, bulking and warehousing installation on the banks of the Mahakam River were completed on time at the end of 2011 The construction of all of the installations has been carried out to a high standard There are few palm-oil mills in the vicinity of the project area but considerable areas of corporate and other oil-palm plantations There is, therefore, demand for milling capacity and the Group has already agreed terms with some plantations to buy f f b from them This will improve mill utilisation and provide useful income, particularly in the early days of the project's operations during the period when the mill is not up to full capacity whilst the f f b crop is increasing As at the date of this report, some 10,000 tonnes of outside f f b have been purchased so far in 2012 The mill, although still in its very early stages, is already achieving good extraction rates

The jetty complex will be used by barges for shipping out palm oil and palm kernels and also for receiving fertilisers and other essential supplies purchased in bulk Buying in large quantities in this way will result in lower costs The bio-gas engine which is part of the mill complex, and which will burn the methane captured from the liquid mill effluent to produce electricity for nearby workers' villages, is expected to be commissioned in mid-2012

Planting so far in 2012 has started slowly with some 240 hectares completed of which 60 hectares relate to the cooperatives The rate of planting is expected to pick up in the balance of the year but much will depend, as referred to above, upon how quickly acceptable terms can be agreed with local people to release land

BANGKA

By the end of 2011, 1,450 hectares of the Group's land and 800 hectares of land owned by the associated cooperative schemes had been declared mature In 2011, 700 hectares were planted, of which 130 hectares related to the cooperative schemes At 31 December 2011, 4,400 hectares in total had

Godowns at the new Kalimantan bulking station

been planted on the project of which 1,400 hectares belong to the cooperative schemes

The f f b yields in 2011 from the 2006, 2007 and 2008 plantings were encouraging at 22, 16 and 6 tonnes per hectare respectively As the new areas mature, management is particularly concentrating on maximising the effectiveness of drainage and maintaining field conditions at a high level

There is keen competition to buy f f b on Bangka Island and the estate continues to sell its fruit to third-party mills at acceptable prices A final decision has not yet been made with regard to the timing of the construction of a mill The decision will depend upon how much land is able to be planted over the next two or so years

Planting progress to date in 2012 has been slower than hoped for In total 110 hectares have been planted of which 40 hectares relate to the cooperative schemes but it is anticipated that this rate will accelerate in the remainder of the year It continues to be a time-consuming process agreeing terms with local people especially given widespread tin-mining activities on Bangka Island which often conflict with other activities Management is optimistic that, in time, the clear and visible advantages to local people of the cooperative schemes, some of which have now matured and are producing f f b at an attractive level, will in due course encourage the release of more land Good relations have been established with the members of the cooperative schemes that have so far been developed

OPERATING COSTS

Operating costs rose in 2011 but remain at competitive levels Inflationary pressures in Indonesia affected general costs and wage rates and the increasing mineral-oil price added upward pressure particularly to fertiliser costs The strengthening of the average Indonesian Rupiah rate against the US Dollar increased local costs in US-Dollar terms The much-improved efficiency and profitability in terms of f f b yields and extraction rates on the established estates in Sumatra have been achieved as a result of a slightly-expanded management team but the cost associated with this has been comfortably exceeded by the extra income earned

ASSOCIATED-COMPANY ESTATES

Crops and production from the estates owned by PT Agro Muko (36 84%) and PT Kerasaan Indonesia (38 00%) were as follows

	2011 *TONNES*	INCREASE/ (DECREASE) %	2010 *TONNES*
F f b crops – PT Agro Muko			
– own	354,100	11	317,900
– outgrowers	14,400	(11)	16,100
	368,500	10	334,000
– PT Kerasaan Indonesia	47,100	(2)	48,200
	415,600	9	382,200
Production (PT Agro Muko)			
– crude palm oil	88,200	16	75,800
– palm kernels	19,200	12	17,100
	%		%
Extraction rate – crude palm oil	23 9		22 7
– palm kernels	5 2		5 1
	TONNES		*TONNES*
Rubber crops (PT Agro Muko)			
– own	1,546	30	1,189

The combination of PT Agro Muko's increased crops, both f f b and rubber, improved palm-oil extraction rates and robust selling prices for both palm oil and rubber resulted in a markedly-improved profit when compared to 2010 Favourable weather and better access resulting from the extensive road-improvement programme of the last few years gave rise to increased f f b yields and a sharply-higher extraction rate Because of very favourable rubber prices which, for

Jetty at the new Kalimantan bulking station

PT Agro Muko, were, as an average, over 40% higher in local currency in 2011 than the previous year, the replanting programme was again delayed The trees were intensively tapped resulting in a crop 30% higher than in 2010 The crop will fall in 2012 As referred to above, rubber prices were, as an average, much higher for 2011 than 2010, although they fell quite sharply towards the end of 2011 partly because manufacturers in the world's largest rubber market, Thailand, ran into difficulty as a result of the severe flooding that was widely reported Prices have since recovered some of the lost ground

PT Kerasaan's f f b crop for 2011 was similar to that of 2010 However, as a result of the higher palm-oil prices referred to above, profits increased in 2011

Palm-oil storage tanks at the new Kalimantan bulking station

PERFORMANCE EVALUATION

MATURE PLANTATION AND MILL OPERATIONS

Management monitors and assesses the efficiency of operations with regard to crops and production by means of performance indicators The assessment of crops is measured for each year's planting on each estate in terms of yield per hectare The yield per hectare on each individual estate, indeed on each year's planting on each estate, is recorded and monitored Yields can vary widely because of factors such as soil type, terrain, sunshine hours, rainfall, distribution of rainfall and the fertility cycle of the palms Because of this, monitoring is not carried out on a Group basis but rather takes into account the conditions on each estate Key factors which are under management's control are husbandry standards, fertiliser application and the quality of infrastructure (estate roads, drains, for example) These are monitored by management on the ground and, in some cases, independently verified and advised upon Decisions, such as when and how to replant, are taken based on local conditions

With regard to mill production, the key performance indicators are the extraction rate of palm oil and palm kernels per tonne of f f b , percentage of free fatty acids, oil losses and dirt and moisture content Extraction rates vary according to factors such as the type and quality of planting material, the age profile of plantings, rainfall, etc Rates of up to 25% for palm oil and over 5 5% for palm kernels can be achieved in some parts of Indonesia
The mill's composite palm-oil extraction rate has steadily increased over the last three or four years to the current level of over 23% However, a proportion of the f f b coming into the Pangkatan mill from Sennah Estate is of a low standard
This has had the effect of holding back the overall extraction rate In time, the areas on Sennah Estate producing the low-quality f f b will be replanted Combined with the modern, high-quality hybrid planting material used for recent replantings on Pangkatan, Bilah and Sennah Estates, this should serve to improve further the overall extraction rate
Oil losses, dirt and moisture content are expressed in terms of percentages and actual achievement against maximum permitted levels are monitored by management

MATURE PLANTATION AND MILL COSTS

Management monitors and assesses the efficiency of plantation operations in terms of cost by means of key performance indicators which identify field costs per hectare and per kilogramme of f f b and factory costs per tonne of palm products (palm oil plus palm kernels) A significant proportion of costs both in the field and in the factory are fixed and therefore vary little with different levels of throughput
Field costs also vary from estate to estate depending upon such factors as terrain and rainfall pattern and the key performance indicators are monitored by management for each individual estate

NEW PROJECTS

Management monitors and assesses the performance of the development of the new projects by means of key performance indicators which identify the area to be planted in a given year and also the cost per hectare of that planting Programmes for planting are set, with sufficient planting material in place in the previous year This type of activity is normally undertaken by contractors and management monitors the progress achieved on the contracted areas
As with other plantation activities, costs per hectare are determined by such factors as the weather pattern, the soil type and the terrain They are monitored by management for each individual estate

NAPCo cattle

NAPCo staff

AUSTRALIAN Beef cattle

The NAPCo feedlot at Wainui

Seasonal conditions in 2011 were the best NAPCo has enjoyed for many years

MAJORITY-OWNED OPERATIONS

WOODLANDS

Plentiful rain in the early part of 2011 produced good pastures The herd numbers at the end of the year (10,400 head) were similar to that at the end of 2010 (10,200 head) although the average weight per head was higher (+16%) Because of more advantageous prices for heavier cattle, it was decided to let some of the herd achieve higher weights before selling The price per kg used for valuing the year-end herd at the end of 2011 was similar to that at the end of the previous year

Unfortunately, although there was abundant rain during the year, some of it came at the wrong time for the forage-oats planting As a result, the quality of the oats was not up to standard and the extra weight gains that would normally be achieved by cattle on such areas were not able to be achieved Because a large herd was maintained on the property, Woodlands achieved a gross profit for the year, albeit less than anticipated

The sub-soil cultivation programme continued during the year Breaking the hard surface enables the rain to penetrate the soil and to remain there rather than running off into creeks As a result, the pasture growth is better and edible grasses stay in the ground longer before dying off

Woodlands cattle

NAPCo cows and weaners

ASSOCIATED COMPANY – NAPCo
(34 37% OWNED)

RESULTS FOR THE YEAR

A profit after tax was achieved of which the Group's share amounted to US$4 23 million (2010 US$2 37 million) The improvement resulted from an increase in both the average weight and value of the cattle and a small increase in the size of the herd

HERD STATISTICS

During 2011, herd numbers rose to 197,600 head, from 195,300 at the end of the previous year Brandings of 54,700 calves were achieved in 2011, down from 61,500 in the previous year However, in 2010 some 5,000 brandings occurred near the end of the year which would normally have occurred early in 2011 Additionally, at the end of 2011 some 3,000 calves were not branded due to the early onset of the current wet season Accordingly, brandings as adjusted for the foregoing would have been 62,700 head in 2011 and 56,500 in 2010

A total of 57,200 cattle were sold in 2011, up sharply from the 36,800 head sold in the previous year
For the second consecutive year, the company took advantage of good pasture conditions and purchased 8,500 steers (14,000 in 2010) The limited number of good-quality cattle in the market and consequent high prices prevented further purchases from taking place
In 2012, both brandings and sales are expected to be significantly higher than in 2011, whilst the herd size should remain approximately the same

SEASONAL CONDITIONS

Overall, seasonal conditions in 2011 were among the best the company has enjoyed for many years Early in the year, cyclone Yasi brought good rain to the company's Gulf Country and Central Queensland properties and the Wainui Feedlot The Channel Country received lighter falls but benefited from a flood in both the Georgina and Diamantina River systems

Further rain into February and March 2011 extended the growing season and provided a huge body of feed across all of the company's properties Pastures in the Channel Country grew particularly well as evidenced by the number of cattle able to be held on these properties Glenormiston, with over 12,000 head, held over 1,000 more than the next highest figure achieved back in 2001, whilst Coorabulka, with over 17,000 on hand at mid-year, held more stock than at any time since records have been kept

An excellent start to the current year's wet season was made in late 2011, with widespread rainfall which regenerated dried-off pastures While January rainfall was disappointing, and accompanied by hot dry weather, the majority of the company's properties have now enjoyed several, albeit patchy, storms which have provided hopes of another good season in 2012

EXPANSION OF CATTLE-CARRYING CAPACITY

Further drilling and equipping of bores and the development of water-distribution pipelines from existing bores continued on Alexandria Station in 2011 The ongoing water-expansion programme will continue in the current year, after which NAPCo's board will review the programme, which has occurred over the last decade, and revisit the development strategy on this, the company's flagship property Already, the water improvements of recent years have enhanced the safe-carrying capacity of this property and increased its branding ability from around 32,000 calves per annum to some 40,000 currently

The substantial expansion of the company's feedlot, Wainui, was completed in late 2011 This has doubled the capacity to some 18,000 head at any one time and will help to facilitate an increased, and smoother, flow of cattle through the system

BEEF-MARKET CONDITIONS

Trading conditions in Australia's beef market were influenced throughout 2011 by a strong Australian Dollar and domestic seasonal conditions

Despite the Australian Dollar opening and closing the year at about parity with the US Dollar, it ranged from a low of A$1 10 to a high of A$0 95 across the year This volatility impacted on Australia's beef market, given the reliance on its export markets The United States, a major export market for Australian beef and a competitor in a number of key overseas markets such as Japan and Korea, was able to gain market share at

Australia's expense due to a more favourable exchange rate Furthermore, demand for beef in Australia's largest export market, Japan, declined as a consequence of consumer concerns over radioactive domestic meat and food products following the earthquake and tsunami On the other hand, Brazil, the other major global beef-exporting nation, experienced tighter beef supplies driven by increased domestic demand and higher prices

Unlike in Australia, the US experienced a severe drought in 2011, resulting in a continued downsizing of its cattle herd The total US herd declined by 2 1% on the previous year, with the cow herd lower by 3 1% This was the sixth year in a row and the twelfth in the past fourteen years that the US herd has declined and it is now at its lowest level since 1958 Providing that, as seems likely, demand can be sustained, this augurs well for global beef-cattle prices in the coming years

PERFORMANCE EVALUATION

Management monitors and assesses the efficiency of operations with regard to cattle fattening by means of performance indicators This assessment involves the establishment of weight gain per beast per day Depending upon the weather and pasture/forage-crop conditions, management would generally aim for 0 6 kg per day for grass-fed steers and 1 0 kg per day for forage-crop steers

The ability to maximise the weight gain in any one year will be determined by the amount of rainfall This, in turn, determines both the quality of the existing pastures and what areas of forage crops can be planted Whilst rainfall is clearly not a factor under management's control, the area of forage crops that can be both planted and brought ahead to a state that can sustain cattle is crucial to the operations of the company The area planted, and the cost, is therefore a performance indicator that is under constant review by management

Beneficial flooding on NAPCo's main breeding property, Alexandria

MALAYSIAN Property

Developments
on the Bertam
Properties project

MAJORITY-OWNED OPERATIONS

BERTAM ESTATE

The remaining small, 70-hectare, Bertam Estate's crops were as follows

	2011 *TONNES*	2010 *TONNES*
Ffb	**1,600**	1,600

It is intended that this estate will be sold when the board deems that market conditions are suitable Based on recent independent advice, the value of this land is estimated by the board to be in excess of US$13 5 million

ASSOCIATED COMPANY

BERTAM PROPERTIES (40% OWNED)

The property market on Penang Island and the nearby surrounding area on the mainland continued at reasonably healthy levels in 2011 Bertam Properties' development projects had a successful year with their various styles of housing and commercial premises much in demand As a result, the profit from these development activities nearly quadrupled in 2011 with the Group's share amounting to US$1 56 million compared with US$0 40 million in 2010 Although there are a number of land sales currently in the pipeline, most of which should be finalised in 2012, there was only one, a compulsory acquisition, in 2011 The Group's share of the profit from this amounted to US$0 26 million compared to last year's profit on land sales of US$2 67 million

The remaining plantation activities are getting smaller as the land is developed for housing and other commercial-building purposes As at the end of 2011, only some 170 hectares remained under oil palm cultivation The f f b crop for 2011 was 2,600 tonnes compared with 2,900 tonnes in 2010 However, due to the firm palm-oil price, the profit was higher than 2010's

The Group's share of Bertam Properties' overall profit after tax amounted to US$1 79 million for the year compared with US$2 99 million in 2010 The shortfall was, as referred to above, ascribed to the reduced land sales in 2011

The remaining area owned by Bertam Properties amounts to 313 hectares as well as the 142 hectares of the golf course, totalling 455 hectares This is a very valuable real-estate asset, the Group's share of which is currently estimated to be worth in the region of US$30 million As has been referred to many times in past annual reports, it is the board's long-term intention to dispose of the Group's share in Bertam Properties This remains the case However, with significant profits being generated by the group's land sales and development activities, the proceeds of which are periodically distributed by way of dividend, the board regards this arrangement as satisfactory for the time being, possibly until such time as the group is reduced in size which would then make it a more marketable entity It remains the board's strategy to re-invest funds received either from Bertam Properties by way of dividends or from the outright sale of the investment in Bertam Properties in Indonesian palm oil or Australian beef cattle

Terraced houses for sale at the Bertam Properties project

Bertam Properties commercial centre

Risk management

The board reviews risk management on an annual basis Set out below is the board's evaluation of the principal areas of potential risk and the steps taken, where appropriate, to mitigate that risk

INDONESIA COUNTRY RISK

The Group relies on the continuing ability to acquire and enforce property rights in Indonesia The country has recently benefited from a period of political stability, economic growth and exchange-rate stability, indeed strength The board perceives a very low risk of the imposition of exchange controls, and the attendant risk that the Group will be unable to extract profits from its subsidiaries and associated companies in Indonesia Security of land tenure is a matter of fundamental concern to plantation operators The Group holds its land under 25 or 30-year renewable leases (HGU's) which have, to date, been renewed when falling due without difficulty

SUPERVISION OF OPERATIONS

Geographical distance between the UK head office and operations located in Indonesia, Australia and Malaysia puts a premium on strong supervision of the Group's operations Regular written reporting from all operating companies is supplemented with routine telephone contact and frequent visits by the executive directors to all areas of the Group's operations At the Group's regional office in Jakarta, the local president director has put together a team of senior managers (agricultural, engineering and finance) with extensive experience and expertise, well qualified to confront the problems that arise on new and existing plantation projects Senior regional managers are now resident in Sumatra, Kalimantan and Bangka Additionally, independent scrutiny of agricultural operations is provided by an independent UK-based consultant

A new training school has been erected in Kalimantan This is now being used to instil the Group's systems and high standards into new and existing staff

PROTECTION OF THE ENVIRONMENT

Concerns about global warming and particularly the destruction of tropical rainforest have received, and continue to receive, close scrutiny in the media The palm-oil industry, unfairly in many cases, is closely associated with cutting down rainforest and destroying the habitat of endangered species such as the orang-utan, elephant, tiger and rhinoceros The Group is therefore likely to receive attention from the many organisations connected with climate change and South East Asian tropical rainforests

The Group is a member of the Round Table on Sustainable Palm Oil ("RSPO") The RSPO has strict guidelines which members must abide by in order to be able to state that they are producing sustainable palm oil, including the protection of forested areas The Group endorses the Principles and Criteria which have been adopted by the membership and its application for RSPO certification for its palm-oil production is under way An RSPO pre-audit of the North Sumatran estates has taken place and accreditation for these areas is expected in mid-2012 A project can only be accredited if it is producing crude palm oil Accordingly, the RSPO audit of the new project in Kalimantan is expected to begin before the end of 2012, following the commissioning of the new mill in December 2011

As evidenced by its new projects in Kalimantan and on Bangka Island, the Group has a clear policy that only heavily-degraded land will be acquired and developed It is the board's policy to have an environmental-impact assessment undertaken by an independent consultant for any new project The study undertaken for the new land in Kalimantan has been made public on the Group's website Implicit in these studies is the requirement to abide by riparian buffer zones and nature-conservation areas and to compensate people cultivating parts of the land to be developed in a fair and transparent way

With regard to both its mills, the Group has installed composting systems which utilise both the "empty" fruit bunches (i e after the fruit has been removed from them) and the liquid effluent from the mill The resulting nutritious compost is applied in the field and reduces the requirement for inorganic fertiliser No effluent is discharged into external water courses From the middle of 2012, at the mill in Kalimantan, methane will be captured from the mill effluent before it is used for composting, and used in a bio-gas engine to generate electricity for workers' villages on the project

Management follows industry best-practice guidelines and abides by Indonesian law with regard to such matters as fertiliser application and health and safety

RELATIONSHIP WITH LOCAL POPULATIONS

Particular attention is paid to the Group's relationship with the local populations where development is taking place On each of the projects there has been extensive communication not only with local government officials but also with local people collectively and through their representatives the local mayor and village heads Smallholder cooperative schemes (KKPA) are being developed alongside the Group's areas and managed by the Group Staff members have been appointed to deal with compensation for loss of land and crops, and to explain the basis and workings of the KKPA schemes and to gain the support of the villages surrounding the Group's project areas This is a time-consuming process

RELATIONSHIP WITH LOCAL PARTNERS

The board recognises the importance of building and maintaining a good relationship with the minority partners and fellow shareholders in its Indonesian plantation projects A breakdown in relations with a local partner could lead to a breakdown in relations with the local populations where the Group is located, with a detrimental effect on operations The executive directors seek to maintain regular and open contact, both formal and informal, with the Group's partners to discuss current and future issues affecting the Group's operations

SECURITY OF LIQUID FUNDS

With the onset of the recent worldwide banking crisis, the board is concerned to ensure that the Group's liquid funds, which are in excess of US$50 million worldwide at the date of this report, are deposited in a secure environment and not at risk of loss The Group's policy is, and has been for many years, only to deposit funds either with banks with an acceptable rating from reputable rating agencies or with banks that are majority owned by sovereign governments

COMMODITY-PRICE FLUCTUATION

The Group relies on its ability to sell its palm oil, palm kernels and f f b through a world market over which it has no control Palm oil is a permanent tree crop with f f b being harvested every day of the year Palm oil and palm kernels are sold on a fortnightly basis by open tender and f f b are sold on a day-by-day basis under contract at a price derived from the quoted world price Over a year, by selling on a "spot" basis, an average price is therefore achieved

The price of palm oil is determined both by disposable income around the world generated by economic activity and by the supply, pricing and demand for competing vegetable oils These factors can result in fluctuations in the price As with any commodity, over-supply does occur in the vegetable-oil market which exerts downward pressure on prices The competing oils, the main ones of which are soybean, oilseed rape and sunflower, are annual crops and producers tend to react to low prices by switching to other crops which has, in the past, quickly reduced oversupply and restored upward pressure on prices

The board is satisfied that the fundamental structure of the vegetable-oil market, and particularly the palm-oil market, is sound Continuing strong demand from the fast-developing economies, such as India, China and Indonesia itself, as well as from more established markets in Europe, for vegetable oil for human consumption has supported prices, as has growing demand for vegetable oils as a biofuel Palm oil is the vegetable oil with the highest production in the world and has the lowest cost and is the most productive, by a wide margin, in terms of yield per hectare

The price that the Group achieves for the sale of its fattened cattle is substantially determined by a world market over which the Group has no control The price of live cattle and beef is determined by economic activity around the world, giving the wherewithal for demand for red meat to be created This activity fluctuates, as does the beef price Australia is a high-quality, efficient producer free of BSE and foot-and-mouth disease, whose markets are mainly in South East Asia and the United States, with its principal competitors being South America and the United States itself The board accepts price fluctuation as a risk of the business and has concluded that the structure of the Australian cattle industry is sound and that its proximity to its main markets in South East Asia gives the business a competitive advantage over its rivals

EXCHANGE-RATE FLUCTUATION

The movement of the Australian Dollar and Malaysian Ringgit against the US Dollar has an effect in US-Dollar terms when Australian and Malaysian earnings and assets are translated Palm oil is a US-Dollar-denominated commodity and a significant proportion of revenue costs in Indonesia (such as fertiliser and fuel) and development costs (such as heavy machinery and fuel) are US-Dollar related Adverse movements in the Rupiah against the US Dollar can have a negative effect on other revenue costs in US-Dollar terms

The board has taken the view that these risks are part of the business and feels that adopting hedging mechanisms to counter the negative effects of exchange movements are both difficult to achieve and would not be cost effective

WEATHER AND NATURAL DISASTERS

Oil palms rely on regular sunshine and rainfall but these patterns can vary and extremes such as unusual dry periods or, conversely, heavy rainfall leading in some locations to flooding, can occur Dry periods, in particular, will affect yields in the short and medium term but any deficits so caused tend to be made up at a later date Where appropriate, bunding is built around flood-prone areas and drainage constructed and adapted either to evacuate surplus water or to maintain water levels in areas quick to dry out

Whilst a remarkably hardy plant, the oil palm can be subject to attack from such pests as caterpillars and other insects, and certain diseases Proper management and husbandry should identify and prevent these attacks from becoming widespread Appropriate agronomic measures are taken where any outbreaks occur

Rainfall is of crucial importance to cattle farming in Australia and is unpredictable The level of rainfall will determine the ability of existing pastures to be maintained and of management to plant forage crops In turn, the quality and quantity of feed will determine the carrying capacity of the property The board has taken the view that acceptance of this risk is part of the business

- The Group aims to adopt the highest standards in respect of environmental, corporate and social responsibility in its palm-oil and beef-cattle operations
- The Group is committed to producing environmentally-sustainable palm oil
- In Australia, besides its commitment to the health and safety of its employees, the Group adopts the highest standards of animal welfare in relation to its cattle Through NAPCo, which has won a number of environmental awards, it is also involved in the preservation, and rehabilitation, of indigenous flora and fauna

Environmental, corporate and social responsibility

ROUNDTABLE FOR SUSTAINABLE PALM OIL ("RSPO")

The Group is a member of the RSPO The membership covers a wide variety of interests from plantation owners to non-governmental organisations to supermarkets The Group endorses the Principles and Criteria which have been adopted by the RSPO in relation to environmental, social and ethical plantation practices

The RSPO audit process commenced in 2011 with regard to the Pangkatan mill and estate in Sumatra as well as the two nearby estates, Bilah and Sennah, which send their f f b to Pangkatan It is expected that the audit will be completed during 2012

Now that the new palm-oil mill is operational on the East Kalimantan project, it is anticipated that the audit process will commence during 2012 Much preparatory work has already been undertaken in the period leading up to the commissioning of the mill

The associated companies, PT Agro Muko and PT Kerasaan Indonesia, received RSPO accreditation in 2011 and 2010 respectively

AGRONOMIC POLICIES

The following policies in respect of plantation management have been adopted

New land

The Group ensures that any new plantation development is undertaken only in heavily-degraded areas which will not be suitable habitats for orang-utans or other major endangered mammals Full environmental-impact assessments are conducted on new project areas by internationally-recognised, independent environmental consultants The assessment of the Kalimantan project has been posted on the Group's website, www mpevans co uk

Zero burning

On new plantings or replantings, no burning is allowed Vegetation or old palms/trees are stacked in interrows between the new planting lines and allowed to rot down

Conservation areas

On new projects, well-marked conservation areas are set aside Ongoing programmes of planting jungle trees and other plants are undertaken Areas alongside river banks (riparian reserves) are set aside as conservation areas to prevent leaching of fertilisers into water courses and provide wildlife corridors

Legumes

Leguminous cover crops are planted These serve to fix nitrogen in the soil, prevent erosion and provide nutritious leaf litter

Terracing and soil erosion

In areas with slopes above 12%, contour terraces are dug This prevents soil erosion and retains water for palms on the terraces Slopes of more than 25% are not planted

Integrated pest management ("IPM")

The Group adopts IPM to control pests on its plantations

Beneficial "host" plants are planted alongside estate roads to attract predators (insects) of leaf pests The predators feed on leaf pest larva thus reducing the need for chemical spraying. Barn owls are, where possible, bred to control rats, thus obviating the need for chemical baits

Mill effluent, compost and power generation (zero-waste concept)

At the Group's Pangkatan palm-oil mill, liquid effluent is applied to empty bunches to create nutritious compost which, in turn, is applied in the field, reducing the requirement for inorganic fertilisers No effluent is discharged into rivers or water courses

At the new mill in Kalimantan, methane will be captured from part of the mill effluent and will be utilised to fuel a biogas engine This engine will, in turn, generate electricity for office compounds and housing in workers' villages in the vicinity of the mill This will give rise to a significant reduction in the use of diesel for the generators which would otherwise have been needed to provide this electricity Surplus effluent (which can occur during very rainy periods) is applied in the field This acts as a beneficial organic fertiliser

The effluent from which methane has been captured is then applied to the empty fruit bunches to create compost The balance of the effluent which has not been utilised for methane capture is immediately applied to the empty fruit bunches to create compost Because the effluent is used quickly the production of methane is minimal

HEALTH AND SAFETY

The Group gives priority to the health and safety of its employees and those affected by its activities Medical care is provided on the plantations in polyclinics which are manned on a daily basis by trained employees and, in addition, doctors visit these clinics once or twice a week The Group pays for hospital treatment if this is required

Sprayers apply chemicals in the field They are provided with appropriate protective clothing and masks, showering facilities are available (and required to be used) and the sprayers are subject to regular medical checks

FACILITIES

The Group provides good-quality housing for its employees, together with clean, potable water and proper sanitation

Kindergartens are provided for very young children and transport for older children to nearby government schools In remote locations, where schools are not available, the Group assists by providing land and some buildings so that government schools can operate on the plantations

TRAINING

The Group undertakes to train and motivate its workforce, to help employees build on skill levels and to extend their education and qualifications It has built a first-class residential training facility on its project in East Kalimantan

SMALLHOLDER SCHEMES

On the new projects the Group has entered into arrangements with local people to provide land planted with oil palms This is done by means of cooperatives (KKPA's) whose members are eligible families in the villages which are in, or next to, the areas being developed In the early stages, the Group provides on loan the finance to plant these areas and, once the land titles have been received, facilitates the KKPA's obtaining bank finance, whereupon the initial loans provided by the Group are largely repaid The remaining amounts due to the Group are repaid out of KKPA profits The land is planted to the same high standard as the Group's areas The bank loans are guaranteed by the Group and any funding required in excess of that provided as bank loans is also provided by the Group

There is a contractual arrangement for the f f b from the KKPA's to be purchased by the Group in accordance with a formula set by the Indonesian Government The KKPA's are maintained and managed under the supervision of the Group This has been a successful way of engendering goodwill with local people, as well as providing them with a tangible and remunerative business which is owned by them

COMPENSATION IN RESPECT OF LAND ACQUIRED

When acquiring new land for development, the Group negotiates compensation terms with local people in a fair and transparent manner Transactions are meticulously recorded and witnessed

Board of directors

Peter E Hadsley-Chaplin, MA MBA
CHAIRMAN
Appointed a director in 1989, chairman in 2010 Former executive chairman of Bertam Holdings PLC and Lendu Holdings PLC A director of The North Australian Pastoral Company Pty Limited Former chairman of The Association of the International Rubber Trade Prior to joining the Group in 1988 he was a commodity broker with C Czarnikow Limited (Age 54)

Philip A Fletcher, FCA
MANAGING DIRECTOR
Appointed a director in 1987, managing director in 1991 and executive chairman between 1999 and 2005 Former executive director of Bertam Holdings PLC and Lendu Holdings PLC Joined the Group in 1982 after his initial career in accountancy with KPMG in London and Sydney and in industry with the Rio Tinto plc group (Age 62)

Tristan R J Price, MA MSc FCA
FINANCE DIRECTOR
Appointed a director in 2010 Qualified as a Chartered Accountant with Coopers & Lybrand Worked in the UK Diplomatic Service, and as an economist at the Organisation for Economic Co-operation and Development (OECD) Prior to joining the Group, was head of financial planning and policy at the Foreign & Commonwealth Office (Age 45)

Konrad P Legg
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed a director in 1987 Director of Coburg Group PLC A former non-executive director of Lendu Holdings PLC Chairman of the audit and remuneration committees (Age 68)

Richard M Robinow
INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed a director in 1999 and chairman from 2005 to 2009 Chairman of R E A Holdings PLC and a non-executive director of the Belgian plantation group, SA SIPEF NV Member of the audit and remuneration committees (Age 66)

J Derek Shaw, FRAgS
INDEPENDENT NON-EXECUTIVE DIRECTOR
Appointed a director in 2005 A director of The North Australian Pastoral Company Pty Limited Former chairman of Linden Foods Limited and former chairman and founder of the Australian cotton producer, Colly Farms Cotton Limited Former non-executive deputy chairman of Lendu Holdings PLC Member of the audit and remuneration committees (Age 71)

Report of the directors FOR THE YEAR ENDED 31 DECEMBER 2011

PRINCIPAL ACTIVITIES

At 31 December 2011, the Company, through its subsidiary and associated undertakings, operates oil-palm and rubber plantations in Indonesia, beef-cattle operations in Australia, and property development and an oil-palm plantation in West Malaysia

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the year and future prospects (including the principal risks and uncertainties facing the Company) is included in the chairman's statement (pages 6 to 8) and in the review of 2011 (pages 9 to 26) and is incorporated in this report by reference

RESULTS AND DIVIDEND

Details of the profit for the year are given in the consolidated income statement on page 42

An interim dividend of 2 25p (2010 - 2 00p) per share was paid on 4 November 2011 The board recommends a final dividend of 5 75p (2010 - 5 50p) per share This dividend will be paid on or after 21 June 2012 to those shareholders on the register at the close of business on 27 April 2012 This final dividend is not provided for in the 2011 financial statements

SCRIP-DIVIDEND SCHEME

The board has decided to make the scrip-dividend option available for the final dividend Shareholders who have previously elected to receive their dividends in this manner will automatically receive this dividend as scrip Forms of election will be dispatched to remaining shareholders under separate cover **Shareholders who now wish to make an election to receive this and future dividends as scrip, or who wish to revoke a previous election, should contact the Company's registrars (contact details on page 80) without delay Any such elections or revocations will not be effective unless they have been sent in accordance with the Company's instructions and received by the Company's registrars no later than 5·00 p.m. on 29 May 2012**

The Company will accept partial scrip elections for this dividend, subject to such terms and conditions as it or its registrar may require, but will not carry forward partial election instructions for future payments

To calculate the basis of the allotments, the Company will use the average of the middle-market quotations of the Company's shares for the five business days commencing on the ex-dividend date for the dividend as derived from the London Stock Exchange Daily Official List The scrip-dividend scheme is conditional on the directors allotting the necessary new shares for the purposes of section 551 of the Companies Act 2006 and the admission of the new shares allotted to trading on the AIM market of the London Stock Exchange The scrip-dividend scheme is operated with the authority of the resolution passed at the Company's annual general meeting in 2010 (which is valid for five years) The scheme is subject to the terms and conditions set out in the circular to shareholders dated 14 May 2010 and available on the Company's website (www mpevans co uk/en/investors/dividends) and may be amended, suspended or terminated at the discretion of the board without notice

SHARE CAPITAL

The Company has one class of share Details of the issued share capital of the Company are as follows

	SHARES OF 10P EACH
Issued (fully-paid and voting) capital at 1 January 2011	**53,357,455**
Share options exercised	
26 April 2011	**5,000**
26 October 2011	**561,465**
Shares issued in lieu of a cash dividend	
17 June 2011	**65,085**
4 November 2011	**32,896**
Issued (fully-paid and voting) capital at 31 December 2011	**54,021,901**

DIRECTORS AND DIRECTORS' INTERESTS

The present membership of the board, all of whom served throughout the year is detailed on page 32 Mr O D Wilkinson retired from his position as executive director on 31 December 2011 Messrs Hadsley-Chaplin, Fletcher, Legg and Robinow will retire from the board at the forthcoming annual general meeting in accordance with the articles of association and, being eligible, offer themselves for re-election

The directors serving at the end of the year, together with their interests at the beginning and end of the year, in the shares of 10p each in the Company, were as follows

AT 31 DECEMBER 2011	BENEFICIAL	NON BENEFICIAL	OPTIONS
P E Hadsley-Chaplin	1,185,777	25,000	370,335
P A Fletcher	845,100	51,361	370,335
O D Wilkinson	—	—	63,496
T R J Price	—	—	150,000
K P Legg	598,228	22,412	—
R M Robinow	42,086	—	—
J D Shaw	550,747	—	—
AT 1 JANUARY 2011			
P E Hadsley-Chaplin	1,067,112	25,000	670,000
P A Fletcher	739,300	51,361	632,135
O D Wilkinson	—	—	63,496
T R J Price (appointed 01/01/2010)	—	—	150,000
K P Legg	591,591	22,412	—
R M Robinow	42,086	—	—
J D Shaw	610,747	—	—

Further details of the directors' interests in share options are disclosed in the report of the board to the shareholders on directors' remuneration, on page 40

None of the directors holds any beneficial interest in, or holds options to buy shares in, any subsidiary undertaking of the Company as at the date of this report

No director has had a material interest in any contract of significance in relation to the business of the Company, or any of its subsidiary undertakings, during the financial year or had such an interest at the end of the financial year

As permitted by the Company's articles of association, there was throughout the year to 31 December 2011 and is at the date of this report, a qualifying indemnity provision, as defined in section 236 of the Companies Act 2006 in force for the benefit of the directors

SUBSTANTIAL INTERESTS

The following substantial interests have been disclosed to the Company as at the date of this report

	SHARES	%
Direct interests		
Alcatel Bell Pensioenfonds VZW	5,793,497	10 72
JP Morgan Fleming Mercantile Investment Trust Plc	3,464,957	6 41
M M Hadsley-Chaplin	2,642,254	4 89
Indirect interests		
Aberdeen Asset Management PLC	6,484,467	12 00
Invesco Limited	2,056,436	3 81

AUTHORITY TO ALLOT SHARES

At the annual general meeting a general authority is being sought, under resolution 8, for the directors to allot shares up to a maximum nominal amount of £1,800,730, which represents 33 33% of the Company's issued share capital The Company does not currently hold any shares as treasury shares within the meaning of section 724 of the Companies Act 2006 It is also proposed, under resolution 9, to empower the directors to allot equity securities for cash pursuant to this general authority (and to sell any treasury shares which it may acquire for cash) otherwise than in accordance with shareholders' statutory pre-emption rights so as to deal with practical problems arising in connection with rights issues or otherwise up to an aggregate nominal amount of £270,110, representing 5% of the Company's issued share capital The directors do not have any present intention of using the authorities sought under resolutions 8 and 9 These authorities will lapse on 30 June 2013 or, if earlier, the date of the Company's next annual general meeting

AUTHORITY TO MAKE MARKET PURCHASES OF SHARES

The directors propose to seek authority under resolution 10 for the Company to purchase its own shares on the AIM Market of the London Stock Exchange until 30 June 2013 or, if earlier, the date of the Company's next annual general meeting The authority will give the directors flexibility to purchase the Company's shares as and when they consider it appropriate The board will only exercise the power of purchase when satisfied that it is in the best interests of the Company so to do and all such purchases will be market purchases made through the AIM Market of the London Stock Exchange The directors would only consider making purchases if they believed that the earnings or net assets per share of the Company would be improved by such purchases The directors would consider holding the Company's own shares which had been purchased by the Company as treasury shares as this would give the Company the flexibility of being able to sell such shares quickly and effectively where it considers it in the interests of shareholders so to do Whilst any such shares are held in treasury, no dividends will be payable on them and they will not carry any voting rights

Resolution 10 set out in the notice of the annual general meeting will accordingly be proposed to authorise the purchase of up to a maximum of 5,402,190 shares, on the AIM Market of the London

Stock Exchange, representing 10% of the Company's current issued share capital The maximum price which may be paid for a share on any exercise of the authority will be restricted to 5% above the average of the middle-market quotations for such shares as derived from the Daily Official List of the London Stock Exchange for the five business days before the purchase is made The maximum number of shares and the price range are stated for the purpose of compliance with statutory requirements in seeking this authority and should not be taken as an indication of the level of purchases, or the prices thereof, that the Company would intend to make

The authority conferred by resolution 10 will lapse on 30 June 2013 or, if earlier, the date of the Company's next annual general meeting

As at the date of this report there were options to subscribe for 1,014,166 shares outstanding under the executive share-option schemes If all of the options were exercised, the resulting number of shares would represent (a) 1 84% of the enlarged issued share capital at that date, and (b) 2 04% of the enlarged issued equity share capital at that date if the proposed authority to purchase shares was exercised in full (excluding any share capital which may be purchased and held in treasury)

PAYMENTS TO SUPPLIERS

It is the Group's normal practice to make payments to suppliers in line with agreed terms, provided that the supplier has performed in accordance with the relevant terms and conditions The Group's average creditor days calculated as at 31 December 2011 amounted to 39 days (2010 - 32 days)

FINANCIAL INSTRUMENTS

Details of the Group's financial instruments, and the board's policy with regard to their use, are given in note 29 to the consolidated accounts on pages 67 and 68

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent-Company financial statement in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union and applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the Group and parent-Company's financial statement,
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the Company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

GOING CONCERN

After having made appropriate enquiries the directors have a reasonable expectation that the Group and the Company have adequate resources to continue their established activities for the foreseeable future, being a period of at least 12 months from the date of the approval of the accounts Accordingly, they continue to adopt the going-concern basis in preparing these financial statements

POST-BALANCE-SHEET EVENTS

There are no post-balance-sheet events

DISCLOSURE OF INFORMATION TO AUDITORS

Each person who is a director at the date of approval of this report confirms that

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting

Approved by the board of directors
and signed on its behalf

C Hayes *Secretary*
26 April 2012

Corporate governance

The board recognises the importance of a sound system of internal control and of continuing to conduct the Group's affairs according to good corporate-governance principles An explanation of how the Group has applied the principles is set out below

1 DIRECTORS

The details of the Company's board, together with the audit and remuneration committees, are set out on page 32 Following the retirement of Mr O D Wilkinson from his position as executive director on 31 December 2011, the board now comprises an executive chairman, two further executive directors and three non-executive directors, one of whom chairs the audit and remuneration committees This structure is designed to ensure that there is a clear balance of responsibilities between the executive and the non-executive functions The board meets at least quarterly and is provided with information which includes executive operating reports, management accounts and budgets Each executive director, and non-executive director with less than nine years' tenure, retires and must seek re-election at least every three years

The board reserves to itself a range of key decisions to ensure it retains proper direction and control of the Company, whilst delegating authority to individual directors who are responsible for the day-to-day management of the business All major and strategic decisions of the Company are made in the United Kingdom The executive and non-executive directors have discussions on an informal yet frequent basis to discuss progress against budget and business issues

2 INDEPENDENCE AND RE-ELECTION OF LONG-SERVING NON-EXECUTIVE DIRECTORS

The board considers Mr Shaw to be independent and also considers Messrs Legg and Robinow to be independent, notwithstanding their length of service The board recognises that the recommended tenure in office for non-executive directors is nine years and, in the circumstances referred to above, it has been agreed that the non-executive directors with more than nine years' service will offer themselves for re-election at each annual general meeting

3 DIRECTORS' REMUNERATION AND APPOINTMENT

As set out in the report on page 39, the remuneration of the executive directors is determined by the remuneration committee whilst that of the non-executives is determined by the whole board

The committee met twice during 2011 and each meeting was attended by all the members

The Company does not currently have a nominations committee Owing to the size of the board, it is considered inappropriate to establish such a committee at this time Any new appointments to the board are discussed at a full board meeting and each member of the board is given the opportunity to meet the individual concerned prior to an appointment being made

4 RELATIONS WITH SHAREHOLDERS

The Company attaches importance to effective communications with its institutional and private shareholders All shareholders have at least twenty-one clear days' notice of the annual general meeting at which all of the directors, including the chairman of the committees, are normally available for questions Comments and questions from shareholders are encouraged at the meeting

5 ACCOUNTABILITY

a) Financial reporting

A detailed review of the performance and financial position of the Group is included in the chairman's statement and the review of 2011 The board uses these and the report of the directors to present a balanced and understandable assessment of the Group's position and prospects The directors' responsibility for the financial statements is described on page 35

b) Risk management

The directors acknowledge their responsibilities for the Group's system of risk management Such a system can provide reasonable, but not absolute, assurance against material misstatement or loss A review of the process of risk identification, evaluation and management is carried out regularly and presented to the board for discussion and approval In summary this is reported on pages 24 to 26

The review process considers the control environment and the major business risks faced by the Group Such risks include, but are not limited to

- the risks of operating in Indonesia,
- the geographical distance between the head office and area of operation,
- protection of the environment,
- the relationship with local populations where the Group has operations,
- the relationship with local partners,

- security of liquid funds,
- commodity-price fluctuation,
- weather and natural disasters, and
- exchange-rate fluctuation

Important control procedures, in addition to the day-to-day supervision of holding-company business, include regular executive visits to the areas of operation of the Group and of its associates, comparison of operating performance and monthly management accounts with plans and budgets, application of authorisation limits, internal audit of subsidiary undertakings and frequent communication with local management

c) Going-concern basis

The Group's operations are funded through a combination of long-term equity capital, cash resources, long-term loans and an overdraft

The board has undertaken a recent review of the Group's current financial position, forecasts, associated risks and sensitivities This review was conducted in the light of the board's current plans for the development of the Group's business which incorporates the planting expenditure in Indonesia on the areas noted in the review of 2011 on pages 12 to 17 The forecasts indicate that the Group will have sufficient resources to meet its obligations as they fall due with the use of existing facilities

The board has concluded that, given the current level of cash resources in the Group, the level of existing borrowings and the facilities agreed in April 2010 and March 2011, the Group is expected to be able to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of the approval of the accounts As a result, the board has concluded that the going-concern basis continues to be appropriate in preparing the financial statements

6 AUDIT COMMITTEE

The audit committee is formally constituted with written terms of reference and is chaired by Mr K P Legg, the other members are Messrs R M Robinow and J D Shaw All served throughout the year The executive directors are not members of the committee but can be invited to attend its meetings The auditors of the Group may also attend part or all of each meeting and they have direct access to the committee for independent discussions, without the presence of the executive directors The committee met twice during 2011 and each meeting was attended by all of the members

The audit committee may examine any matters relating to the financial affairs of the Group or the Group's audit, this includes reviews of the annual accounts and announcements, accounting policies, compliance with accounting standards, the appointment and fees of auditors and such other related matters as the board may require

The Group's auditors have provided only audit services, other than a small amount of tax advice in Malaysia

Report of the board to the shareholders on directors' remuneration

The remuneration committee keeps under review the remuneration and terms of employment of the executive directors and recommends such remuneration and terms, and changes therein, to the board The committee comprises all of the non-executive directors and is chaired by Mr K P Legg

SERVICE CONTRACTS

All of the executive directors have service contracts Messrs Hadsley-Chaplin, Fletcher and Price have service contracts with the Company Mr Wilkinson's contract was with a wholly-owned subsidiary undertaking These contracts continue until terminated by either party giving not less than one year's notice in writing The non-executive directors do not have service contracts or provisions for pre-determined compensation on termination of their appointment

REMUNERATION POLICY

EXECUTIVE DIRECTORS

The remuneration of Messrs Hadsley-Chaplin, Fletcher and Price is determined by the remuneration committee in accordance with both the level of responsibility undertaken and equivalent remuneration of executives of a similar standing in the U K , where their responsibilities are primarily undertaken The committee has sanctioned appropriate incentives by means of share options with a view to aligning the interests of these three executives with those of the shareholders Non-pensionable bonuses may be awarded annually in arrears at the discretion of the committee, taking account of the performance of the Group during the period and other targeted objectives Bonuses do not exceed four months' salary

Mr Wilkinson's remuneration was determined by the committee in accordance with both the level of responsibility undertaken and equivalent remuneration of executives of a similar standing in South East Asia, where his responsibilities were undertaken He participated in a discretionary-bonus scheme related to the committee's evaluation both of his performance and of the progress achieved during the year in disposing of the Group's Malaysian assets and with regard to its new and existing Indonesian projects Mr Wilkinson also participates in the executive share-option schemes

Following his resignation from the board on 31 December 2011, Mr Wilkinson became entitled to two final payments in accordance with his service contract The first payment of RM200,000 (£41,000) was paid on 11 January 2012 and a further payment of RM400,000 (£82,000) will be paid on or after 30 April 2012

NON-EXECUTIVE DIRECTORS

The fees of the non-executive directors are determined by the board

TOTAL DIRECTORS' REMUNERATION

The total amount of directors' remuneration for the year ended 31 December 2011 was as follows

	SALARY AND FEES £	BONUS £	BENEFITS IN KIND £	EMOLUMENTS £	PENSION COSTS £	TOTAL REMUNERATION 2011 £	TOTAL REMUNERATION 2010 £
Executive directors							
P E Hadsley-Chaplin	120,000	—	20,430	140,430	21,000	161,430	142,695
P A Fletcher	200,000	—	42,889	242,889	35,000	277,889	244,443
O D Wilkinson	52,972	37,200	3,632	93,804	17,133	110,937	165,625
T R J Price	135,000	—	14,638	149,638	16,875	166,513	143,002
	507,972	37,200	81,589	626,761	90,008	716,769	695,765
Non-executive directors							
K P Legg	26,300	—	—	26,300	—	26,300	25,100
R M Robinow	22,600	—	—	22,600	—	22,600	21,550
J D Shaw	37,300	—	—	37,300	—	37,300	30,800
	86,200	—	—	86,200	—	86,200	77,450
Total	594,172	37,200	81,589	712,961	90,008	802,969	773,215
Gains on exercise of share options							
P E Hadsley-Chaplin						914,991	1,218,620
P A Fletcher						798,178	1,199,955
O D Wilkinson						—	38,964
Total						1,713,169	2,457,539
Grand total	594,172	37,200	81,589	712,961	90,008	2,516,138	3,230,754

NOTES

1 The pension costs for Messrs Hadsley-Chaplin, Fletcher and Price set out above are the contributions made by the Company to Company-sponsored Self-Invested Personal Pensions ("SIPPs") as described below The pension costs for Mr Wilkinson were contributions made by a subsidiary undertaking to the Employees' Provident Fund in Malaysia

2 No long-term incentives, other than the share options described below, have been awarded to directors

3 Fees for Mr K P Legg were paid to a third party

EXECUTIVE SHARE-OPTION SCHEMES

The executive directors are members of executive share-option schemes which were established in 2001 under which options to subscribe for shares in the Company may be granted to selected employees The schemes have now expired As at 31 December 2011 options over 954,166 (2010 - 1,515,631) shares granted to executive directors remain outstanding These were granted to the executive directors between 17 July 2001 and 2 February 2005, except that options over 150,000 shares were granted to Mr T R J Price between 16 November 2007 and 24 November 2008 During the year 561,465 (2010 - 971,100) options granted to directors were exercised and none (2010 none) lapsed The remuneration committee has proposed that the Company establish two new executive share-option plans, as described in the Chairman's statement on page 8 and in the appendix to the notice of the annual general meeting on page 79

No performance criteria are attached to the options and no options are held by the non-executive directors At 31 December 2011 the middle-market quotation for the Company's shares, as derived from the London Stock Exchange Daily Official List, was 434 75p, as compared with the high and low quotations for the year of 499 00p and 371 00p respectively

Details of the options held over shares of the Company by the executive directors during the year ended 31 December 2011 are set out in the table below

Number of shares under option

	BALANCE AT 1 JANUARY 2011	EXERCISED IN THE YEAR	BALANCE AT 31 DECEMBER 2011	EXERCISE PRICE PENCE	MARKET PRICE WHEN EXERCISED PENCE	DATE OF GRANT	DATE FROM WHICH NORMALLY FIRST EXERCISABLE	EXPIRY DATE
P A Fletcher	82,500	82,500	—	96 50	405	1 May 2002	1 May 2005	1 May 2012
	200,000	—	200,000	126 50	—	2 May 2003	2 May 2006	2 May 2013
	179,300	179,300	—	101 78	405	2 Feb 2005*	1 May 2005	1 May 2012
	143,440	—	143,440	138 04	—	2 Feb 2005*	2 May 2006	2 May 2013
	26,895	—	26,895	158 95	—	2 Feb 2005*	4 May 2007	4 May 2014
	632,135	**261,800**	**370,335**					
P E Hadsley-Chaplin	120,365	120,365	—	96 50	405	1 May 2002	1 May 2005	1 May 2012
	200,000	—	200,000	126 50	—	2 May 2003	2 May 2006	2 May 2013
	179,300	179,300	—	101 78	405	2 Feb 2005*	1 May 2005	1 May 2012
	143,440	—	143,440	138 04	—	2 Feb 2005*	2 May 2006	2 May 2013
	26,895	—	26,895	158 95	—	2 Feb 2005*	4 May 2007	4 May 2014
	670,000	**299,665**	**370,335**					
O D Wilkinson	50,048	—	50,048	138 04	—	2 Feb 2005*	2 May 2006	2 May 2013
	13,448	—	13,448	158 95	—	2 Feb 2005*	4 May 2007	4 May 2014
	63,496	**—**	**63,496**					
T R J Price**	75,000	—	75,000	385 00	—	16 Nov 2007	16 Nov 2010	16 Nov 2017
	75,000	—	75,000	159 50	—	24 Nov 2008	24 Nov 2011	24 Nov 2018
	150,000	**—**	**150,000**					
Total	**1,515,631**	**561,465**	**954,166**					

* Transferred from Bertam Holdings PLC executive share-option scheme in 2005
** Held on appointment

PENSIONS

The Company sponsors self-invested personal pensions ("SIPPs") for the UK executive directors Contributions made by the Company to the SIPPs and to a life-assurance company give the executives a pension at retirement, a pension to a spouse payable on death and life-assurance cover based on a multiple of salary The members contribute a minimum of 5% of their pensionable salary to their SIPPs No element of a director's remuneration package, other than basic salary, is pensionable

Approved by the board of directors
and signed on its behalf

C Hayes *Secretary*
26 April 2012

Independent auditors' report

TO THE MEMBERS OF M P EVANS GROUP PLC

We have audited the Group financial statements of M P Evans Group PLC for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash-flow statement and the related notes The financial-reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities set out on page 35 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's "Ethical Standards for Auditors"

This report, including the opinions, has been prepared for, and only for, the Company's members as a body in accordance with chapter 3 of part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the report of the directors for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

OTHER MATTER

We have reported separately on the parent-Company financial statements of M P Evans Group PLC for the year ended 31 December 2011

Simon O'Brien *(Senior Statutory Auditor)*

for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London

26 April 2012

Consolidated income statement

FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTE	RESULT BEFORE BIOLOGICAL BEARER ASSET ADJUSTMENT* US$'000	BIOLOGICAL BEARER ASSET ADJUSTMENT* US$'000	YEAR ENDED 31 DECEMBER 2011 US$'000	RESULT BEFORE BIOLOGICAL BEARER ASSET ADJUSTMENT* US$'000	BIOLOGICAL BEARER ASSET ADJUSTMENT* US$'000	YEAR ENDED 31 DECEMBER 2010 US$'000
Revenue	4	57,756	—	57,756	42,091	—	42,091
Cost of sales	4	(33,636)	1,799	(31,837)	(21,215)	1,011	(20,204)
Gross profit	4	24,120	1,799	25,919	20,876	1,011	21,887
Gain on biological assets	13	—	17,936	17,936	—	17,589	17,589
Planting expenditure		—	(15,619)	(15,619)	—	(15,204)	(15,204)
Foreign-exchange gains		528	—	528	739	—	739
Other administrative expenses	4	(2,470)	(230)	(2,700)	(4,934)	—	(4,934)
Other income		143	—	143	218	—	218
Operating profit		22,321	3,886	26,207	16,899	3,396	20,295
Finance income	6	1,078	—	1,078	711	—	711
Finance costs	7	(2,361)	(574)	(2,935)	(1,647)	—	(1,647)
Group-controlled profit before tax	8	21,038	3,312	24,350	15,963	3,396	19,359
Tax on profit on ordinary activities	9	(8,450)	(842)	(9,292)	(7,459)	(577)	(8,036)
Group-controlled profit after tax		12,588	2,470	15,058	8,504	2,819	11,323
Share of associated companies' profit/(loss) after tax	4, 15	21,809	2,829	24,638	16,126	(3,001)	13,125
Profit/(loss) for the year		34,397	5,299	39,696	24,630	(182)	24,448
Attributable to:							
Owners of M P Evans Group PLC		30,340	5,182	35,522	21,636	271	21,907
Minority interests		4,057	117	4,174	2,994	(453)	2,541
		34,397	5,299	39,696	24,630	(182)	24,448
		US CENTS		US CENTS	US CENTS		US CENTS
Basic earnings per 10p share	11	56.71		66 39	40 66		41 17
Diluted earnings per 10p share	11	56 06		65 64	40 02		40 52

* Non-statutory column (see note 13)

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 US$'000	2010 US$'000
Other comprehensive (expense)/income		
Previously unrealised profit on sale of land to associated undertaking released to the consolidated income statement on sale of that land by the associate	**(54)**	(327)
Exchange differences on translation of foreign operations	**(70)**	14,203
Other comprehensive (expense)/income (net of tax) for the year	**(124)**	13,876
Profit for the year	**39,696**	24,448
Total comprehensive income	**39,572**	38,324
Attributable to		
Owners of M P Evans Group PLC	**35,398**	35,777
Minority interests	**4,174**	2,547
	39,572	38,324

Consolidated balance sheet FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTE	BEFORE BIOLOGICAL BEARER ASSET ADJUSTMENT* US$ 000	BIOLOGICAL BEARER ASSET ADJUSTMENT* US$ 000	31 DECEMBER 2011 US$ 000	BEFORE BIOLOGICAL BEARER ASSET ADJUSTMENT* US$ 000	BIOLOGICAL BEARER ASSET ADJUSTMENT* US$ 000	31 DECEMBER 2010 US$ 000
Non-current assets							
Goodwill	12	**1,157**	—	**1,157**	1,157	—	1,157
Biological assets	13	—	**127,428**	**127,428**	—	110,862	110,862
Property, plant and equipment	14	**161,700**	**(65,670)**	**96,030**	120,476	(52,416)	68,060
Investments in associates	15	**106,026**	**25,633**	**131,659**	106,776	22,803	129,579
Investments	16	**145**	—	**145**	149	—	149
Deferred-tax asset	23	**2,808**	—	**2,808**	808	—	808
Non current debtor	19	**2,189**	—	**2,189**	—	—	—
		274,025	**87,391**	**361,416**	229,366	81,249	310,615
Current assets							
Biological assets	17	**9,878**	—	**9,878**	7,991	—	7,991
Inventories	18	**8,582**	—	**8,582**	7,921	—	7,921
Trade and other receivables	19	**14,439**	—	**14,439**	24,388	—	24,388
Current-tax asset		**6,300**	—	**6,300**	1,962	—	1,962
Cash and cash equivalents	20	**52,755**	—	**52,755**	35,399	—	35,399
		91,954	—	**91,954**	77,661	—	77,661
Total assets	4	**365,979**	**87,391**	**453,370**	307,027	81,249	388,276
Current liabilities							
Borrowings	20, 22	**25,255**	—	**25,255**	25,255	—	25,255
Trade and other payables	21	**14,814**	—	**14,814**	8,278	—	8,278
Current-tax liability		**4,322**	—	**4,322**	2,611	—	2,611
		44,391	—	**44,391**	36,144	—	36,144
Net current assets		**47,563**	—	**47,563**	41,517	—	41,517
Non-current liabilities							
Borrowings	20, 22	**31,450**	—	**31,450**	10,175	—	10,175
Deferred-tax liability	23	**3,213**	**15,440**	**18,653**	3,178	14,597	17,775
Retirement-benefit obligations	24	**2,963**	—	**2,963**	1,840	—	1,840
		37,626	**15,440**	**53,066**	15,193	14,597	29,790
Total liabilities	4	**82,017**	**15,440**	**97,457**	51,337	14,597	65,934
Net assets		**283,962**	**71,951**	**355,913**	255,690	66,652	322,342
Equity							
Share capital	25	**9,093**	—	**9,093**	8,987	—	8,987
Other reserves	27	**84,320**	**25,633**	**109,953**	82,250	22,803	105,053
Retained earnings	27	**180,187**	**38,742**	**218,929**	157,149	36,389	193,538
Equity attributable to the owners of M P Evans Group PLC		**273,600**	**64,375**	**337,975**	248,386	59,192	307,578
Minority interests		**10,362**	**7,576**	**17,938**	7,304	7,460	14,764
Total equity		**283,962**	**71,951**	**355,913**	255,690	66,652	322,342

* Non-statutory column (see note 13)

The financial statements on pages 42 to 68 were approved by the board of directors on 26 April 2012 and signed on its behalf

Tristan Price Philip Fletcher

Directors

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2011

	SHARE CAPITAL US$ 000	OTHER RESERVES US$ 000	RETAINED EARNINGS US$ 000	TOTAL US$ 000	MINORITY INTERESTS US$ 000	TOTAL EQUITY US$ 000
Profit for the year	**—**	**24,638**	**10,884**	**35,522**	**4,174**	**39,696**
Other comprehensive income for the year	**—**	**965**	**(1,089)**	**(124)**	**—**	**(124)**
Total comprehensive income for the year	**—**	**25,603**	**9,795**	**35,398**	**4,174**	**39,572**
Issue of share capital	**106**	**1,477**	**—**	**1,583**	**—**	**1,583**
Dividends	**—**	**(22,206)**	**15,594**	**(6,612)**	**(1,000)**	**(7,612)**
Credit to equity for equity-settled share-based payments	**—**	**26**	**2**	**28**	**—**	**28**
Transactions with owners	**106**	**(20,703)**	**15,596**	**(5,001)**	**(1,000)**	**(6,001)**
At 1 January 2011	**8,987**	**105,053**	**193,538**	**307,578**	**14,764**	**322,342**
At 31 December 2011	**9,093**	**109,953**	**218,929**	**337,975**	**17,938**	**355,913**
Profit for the year	—	13,125	8,782	21,907	2,541	24,448
Other comprehensive income for the year	—	11,286	2,584	13,870	6	13,876
Total comprehensive income for the year	—	24,411	11,366	35,777	2,547	38,324
Issue of share capital	166	1,727	—	1,893	—	1,893
Dividends	—	(14,455)	8,799	(5,656)	—	(5,656)
Credit to equity for equity-settled share-based payments	—	58	8	66	—	66
Transactions with owners	166	(12,670)	8,807	(3,697)	—	(3,697)
At 1 January 2010	8,821	93,312	173,365	275,498	12,217	287,715
At 31 December 2010	8,987	105,053	193,538	307,578	14,764	322,342

Consolidated cash-flow statement FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTE	YEAR ENDED 31 DECEMBER 2011 US$'000	YEAR ENDED 31 DECEMBER 2010 US$'000
Net cash generated by operating activities	28	**48,339**	19,417
Investing activities			
Interest received	6	**1,078**	711
Proceeds on disposal of assets		**598**	690
Proceeds on disposal of investments		—	3,255
Purchase of property, plant and equipment	14	**(31,789)**	(9,920)
Planting expenditure		**(15,619)**	(15,204)
Investment in associated undertaking		—	(7,310)
Net cash used by investing activities		**(45,732)**	(27,778)
Financing activities			
Dividends paid to Company shareholders		**(6,064)**	(5,064)
Repayment of borrowings		—	(2,011)
Proceeds on issue of shares	25	**1,034**	1,301
Dividend paid to minorities		**(1,000)**	—
Loan drawdown		**20,921**	10,175
Net cash generated by financing activities		**14,891**	4,401
Net increase/(decrease) in cash and cash equivalents		**17,498**	(3,960)
Net cash and cash equivalents at 1 January		**10,144**	15,784
Effect of foreign-exchange rates on cash and cash equivalents		**(142)**	(1,680)
Net cash and cash equivalents at 31 December	20	**27,500**	10,144

Notes TO THE CONSOLIDATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 1 General information

M P Evans Group PLC is incorporated in the United Kingdom under the Companies Act 2006 and listed on the London Stock Exchange's Alternative Investment Market ("AIM") The address of its registered office is given on page 79 The nature of the Group's operations and its principal activities is set out in note 4 and in the review of operations on pages 12 to 26 The Group is domiciled in the UK

The functional currency of M P Evans Group PLC, determined under IAS 21, is the US Dollar Likewise, the functional currency of subsidiaries operating in the palm-oil sector is the US Dollar The functional currency of Group companies operating in the beef-cattle and property-development sectors is the local currency

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year M P Evans Group PLC reported a profit for the financial year ended 31 December 2011 of US$15,195,000 (2010 loss US$3,558,000)

NOTE 2 Adoption of new and revised accounting standards

(a) **New and amended standards adopted by the Group**

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group

(b) **New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not adopted early**

IAS 19, 'Employee benefits' was amended in June 2011 The Group will be required to eliminate the "corridor" approach and recognise all actuarial gains and losses in other comprehensive income as they occur, to recognise immediately all past-service costs, and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined-benefit liability The Group is yet to assess the full impact of the amendments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities IFRS 9 was issued in November 2009 and October 2010 It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments IFRS 9 requires financial assets to be classified into two measurement categories those measured as at fair value and those measured at amortised cost The determination is made at initial recognition The classification depends on how the entity manages its financial instruments and the contractual cash-flow characteristics of the instrument For financial liabilities, the standard retains most of the IAS 39 requirements The main change is that, in cases where the fair-value option is taken for financial liabilities, the part of a fair-value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company The standard provides additional guidance to assist in the determination of control where this is difficult to assess The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special-purpose vehicles and other off-balance-sheet vehicles The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair-value measurement and disclosure requirements for use across IFRSs The requirements do not extend the use of fair-value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012, subject to endorsement by the EU

There are no other IFRSs or IFRIC interpretations which are not yet effective that would be expected to have a material impact on the Group

NOTE 3 Accounting policies

(a) **Accounting convention and basis of presentation**

These financial statements have been prepared consistently under the historical-cost convention, as modified by the valuation of biological assets and available-for-sale investments, and comply with International Financial Reporting Standards (IFRSs) adopted by the European Union The Group financial statements therefore comply with the AIM rules

(b) **Going concern**

The financial statements have been prepared on a going-concern basis The directors have conducted a review of projected cash flows from operations, investing and financing, concluding that the Group has sufficient funds projected to carry on its business and its planned investment programme in the medium term Furthermore, the Group has control over its main cash expenditure, investment in its new estates and mills, which it can manage according to the resources available

(c) **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries, and equity accounts for its associated undertakings The Group treats as subsidiaries those entities in which it has the power to determine financial and operating policies All subsidiary and associated undertakings prepare their financial statements to 31 December

Where necessary, the financial statements of subsidiary and associated companies are adjusted prior to consolidation or equity accounting to bring them into line with the Group's accounting policies All intra-Group transactions, balances, income and expenses are eliminated on consolidation The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or up to the effective point of acquisition or disposal

Minority interests in the net assets of subsidiaries are separately identified They consist of minority interests at the date of business combination, and the minority's share of subsequent changes in equity

(d) **Revenue**

Revenue represents the value of crops, livestock and produce sold during the year, excluding sales taxes Income is recognised at the point of delivery Revenue in respect of construction contracts is recognised at the point the development is sold Investment income is taken into account by reference to the date on which it is declared payable

(e) **Operating profit and exceptional items**

The Group separately identifies gains and losses arising from significant asset disposals outside the ordinary course of business, gains and losses arising from acquisition and disposal of shares in subsidiary and associated undertakings, and restructuring costs However, these are included within operating profit

(f) **Retirement benefits**

The Group operates a defined-contribution pension scheme The pension charge represents the contributions payable by the Group under the rules of the scheme In Indonesia, as required by law, a lump sum is paid to employees on retirement or on leaving the Group's employment This terminal benefit is accrued by the Group and charged to the income statement on the basis of individuals' service at the balance-sheet date

(g) **Share-based payments**

The Group issues equity-settled, share-based payments to certain employees Such share-based payments are measured at fair value (excluding the effect of any non-market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest Fair value is measured by use of the Black-Scholes model, based on management's best estimates At each balance-sheet date, the Group estimates the number of options it expects to vest Any changes from the previous estimate are recognised in the income statement

(h) **Goodwill**

Goodwill arising on acquisition, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is ascribed to an operating subsidiary and capitalised, with provision being made for any impairment Goodwill is tested for impairment at least annually but, once made, provisions are not reversed "Negative goodwill", where the fair value of the assets acquired exceeds the fair value of the consideration given, is taken to the income statement in the period in which it arises

Goodwill arising on acquisitions before the IFRS transition date has been retained at the amount determined under UK-GAAP and is subjected to impairment testing at least annually Negative goodwill on the acquisition of shares in the Group's Australian associated undertaking was eliminated on transition to IFRS

(i) **Biological assets**

Biological gain or loss is measured in accordance with IAS 41 'Agriculture' on two groups of bearer assets (oil-palm and rubber plantations), and one consumer biological asset (beef cattle) The Group's only interest in rubber is through its associated company, PT Agro Muko Bearer assets (the Group's plantations), are non-current assets Consumer biological assets are classified as current assets since the Group generally sells these assets within one year of the balance-sheet date

(i) **Plantation**

The Group has valued its biological assets on the basis of the discounted net present value of cash flows arising in producing f f b from oil palms, or latex from rubber trees It values its biological assets on the basis of discounted cash flows covering the assets' expected 25-year economic life Areas are included in the valuation once they are planted The valuation assumes that the concessions granted to exploit the land on which the biological assets are

NOTE 3 Accounting policies CONTINUED

planted will be renewed when they expire No account is taken in the valuation of future re-planting. The Group estimates the future sales value of its crop production using a long-term (20-year) average price Costs associated with planting of the Group's estates are shown as planting expenditure on the face of the income statement.

(ii) **Beef cattle**

Cattle are recorded as assets at the year end at fair value less selling costs, taking into account the location of the cattle The herd comprises breeding and non-breeding cattle The breeding cattle comprise cows and bulls The non-breeding cattle comprise steers and heifers mainly between the age of 9 and 36 months that will be grown and sold on as either grain-fed or grass-fed cattle Bulls are included in the balance sheet at a directors' valuation based on recent purchases and current market data All other cattle are valued at an estimated weight multiplied by market price per kilogram

(iii) **Crops**

The cost of forage crops is released to the income statement over the period during which they are consumed

(iv) **Deferred tax**

Deferred tax is recognised at the relevant local rate on the difference between the cost of biological assets and their carrying value determined under IAS 41

Within the consolidated income statement and balance sheet additional, non-statutory, columns have been inserted to show the impact of recognising biological-bearer assets The biological-bearer-asset-adjustment column shows the impact of introducing the valuation of the Group's biological bearer assets, as well as its share of the equivalent asset recognised by associates, and the related deferred taxation

(j) **Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation Historical cost includes all expenditure incurred in acquiring the asset Leasehold land in Indonesia is held on 30-year leases and is not depreciated as the leases can be renewed without significant cost. Perpetual-leasehold land in Malaysia and freehold land in Australia are classified as freehold land Property, plant and equipment, other than construction in progress which is not depreciated, are written off over their estimated useful lives at rates which vary between 3% and 50% per annum Estimated useful lives are reviewed at each balance-sheet date

The Group follows transitional arrangements made available under IFRS1 "First-time Adoption of International Financial Reporting Standards" The fair value of Indonesian leases (hak guna usaha) held by the Group on 1 January 2006 is taken to be their deemed cost

(k) **Investments in associated companies**

Undertakings over which the Group exerts significant influence through shareholdings and board membership are treated as associated undertakings Investments in associated undertakings are held in the consolidated financial statements at fair value under the equity method of accounting The consolidated income statement includes the Group's share of the profit or loss on ordinary activities after taxation based on audited financial statements for the year ended 31 December 2011 In the consolidated balance sheet, the investments in the associated undertakings are shown as the Group share of net assets at the balance-sheet date, as adjusted for any associated goodwill

(l) **Non-current assets held for sale**

The Group treats assets as held for sale once the sale is considered highly probable and is expected to complete within 12 months of the balance-sheet date They are valued at the lower of fair value and carrying value less costs to sell

(m) **Inventories**

Inventories are valued at the lower of cost and net realisable value In the case of palm oil and rubber, cost represents the weighted-average cost of production, including appropriate overheads Other inventories are valued on the basis of first in, first out

(n) **Taxation**

The tax charge for the year comprises current and deferred tax The Group's current-tax asset or liability is calculated using tax rates that have been enacted or substantively enacted by the balance-sheet date

Deferred tax is accounted for using the balance-sheet-liability method, calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Liabilities are generally recognised for all taxable temporary differences, deferred-tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised Deferred tax is not provided on initial recognition of goodwill

The Group recognises deferred-tax liabilities arising from taxable temporary differences on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future The carrying amount of deferred-tax assets is reviewed at each balance-sheet date

Deferred-tax assets and liabilities are offset when there is a legally-enforceable right to set off current-tax assets against current-tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current-tax assets and liabilities on a net basis

(o) **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

NOTE 3 Accounting policies CONTINUED

AVAILABLE-FOR-SALE FINANCIAL ASSETS – the Group's investments in unlisted shares (other than associated undertakings) are classified as available for sale and stated at fair value, with gains and losses recognised directly in equity Fair value is the directors' estimate of sales proceeds less costs to sell at the balance-sheet date

TRADE AND OTHER RECEIVABLES – these represent amounts due from customers in the normal course of business, are not interest bearing, and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, which are charged to the income statement

CASH AND CASH EQUIVALENTS – these include cash at hand, and deposits held with banks with original maturities of three months or less

BANK BORROWINGS – interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs Finance charges are accounted for on an accruals basis in the income statement using the effective-interest-rate method

TRADE AND OTHER PAYABLES – these are initially measured at fair value, and are subsequently measured at amortised cost, using the effective-interest-rate method

EQUITY INSTRUMENTS – equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

(p) **Foreign currencies**

As set out in note 1, the functional currency of the parent Company and of subsidiaries operating in the palm-oil sector is the US Dollar The functional currency of Group companies operating in the cattle and property-development sectors is the local currency Where relevant, results of all Group companies are translated for the purposes of consolidation into the Group's presentation currency, the US Dollar The monetary assets and liabilities of the Group's foreign operations are translated at exchange rates on the balance-sheet date Items in the income statement are translated at the average exchange rate for the period

Exchange differences are recognised as a profit or loss of the period in which they arise except for exchange differences on monetary items payable to foreign operations where settlement is neither planned nor likely to occur, in which case the difference is recognised initially in other comprehensive income

(q) **Segmental reporting**

Operating segments are consistent with the internal reporting provided to the chief operating-decision maker The chief operating-decision maker, which is responsible for allocating resources and assessing performance of the operating segments, is the board

(r) **Critical accounting judgements and key sources of estimation uncertainty**

The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances Actual results may differ from these estimates The estimates and assumptions which have the most significant impact on the carrying amount of assets and liabilities are discussed below

(i) **Valuation of biological assets**

The key assumptions underlying the valuation of the biological assets are set out in note 13 These assumptions are reviewed at least annually Sensitivity analysis on the impact of a variation in the palm-oil price and discount rate used in the valuation is also shown in note 13

(ii) **Leasehold land in Indonesia**

The directors have concluded that leasehold land in Indonesia should not be depreciated Further information on this policy is included in note 3(j)

(iii) **Deferred tax on unremitted earnings**

The Group's subsidiaries and associated undertakings hold a significant level of unremitted earnings The directors have concluded that no deferred-tax liability should be recognised in relation to these balances given the ability of the Group to control the remittance of these earnings and the Group's operational plans for the relevant entity Further information on the level of these reserves is disclosed in note 23

(iv) **Assets held for sale**

The directors review the fair value of the Group's available-for-sale investments to confirm that such assets are recorded at a value that does not exceed the fair value of the asset.

(v) **Goodwill arising on acquisition of subsidiaries and associates**

On acquisition of shares in subsidiary companies or associated undertakings, the directors compare the fair value of the consideration given for the shares with the fair value of the assets acquired, including an estimation of the fair value of property, plant and equipment, intangible fixed assets and biological assets This comparison is used to establish the value of goodwill or the excess of fair value of the identifiable assets and liabilities acquired over their cost.

NOTE 4 Segment information

The Group's reportable segments follow the three areas of activity set out in the review of 2011 These are distinguished by location and product plantation crops (predominantly palm oil) in Indonesia, with a residual balance in Malaysia, cattle in Australia, and property development in Malaysia

2011	PLANTATION			CATTLE	PROPERTY	OTHER	TOTAL
	INDONESIA	MALAYSIA	TOTAL	AUSTRALIA	MALAYSIA		
	US$'000	US$ 000	US$'000	US$ 000	US$'000	US$'000	US$'000
Revenue	54,938	337	55,275	2,435	—	46	57,756*
Gross profit/(loss)	25,825	(63)	25,762	111	—	46	25,919
Gain on biological assets	17,936	—	17,936	—	—	—	17,936
Planting expenditure	(15,619)	—	(15,619)	—	—	—	(15,619)
Foreign-exchange gain/(loss)	631	13	644	—	—	(116)	528
Other administrative expenses	452	(132)	320	(128)	—	(2,892)	(2,700)
Other income	—	143	143	—	—	—	143
Operating profit							26,207
Finance income	971	54	1,025	43	—	10	1,078
Finance costs	(999)	—	(999)	(1,936)	—	—	(2,935)
Group-controlled profit before tax							24,350
Tax	(6,645)	(9)	(6,654)	—	—	(2,638)	(9,292)
Group-controlled profit after tax							15,058
Share of associated companies' profit after tax	18,621	—	18,621	4,231	1,786	—	24,638
Profit after tax							39,696
Minority interests							(4,174)
							35,522
Consolidated total assets							
Assets	254,794	6,028	260,822	47,049	—	13,840	321,711
Investments in associates	50,562	—	50,562	62,604	18,493	—	131,659
	305,356	6,028	311,384	109,653	18,493	13,840	453,370
Consolidated total liabilities							
Liabilities	47,603	18,580	66,183	28,984	—	2,290	97,457
Other information							
Additions to non-current assets	31,604	2	31,606	164	—	19	31,789
Depreciation	2,624	37	2,661	450	—	28	3,139
Retirement-benefit obligations	1,215	—	1,215	—	—	—	1,215

* Revenue of US$13 62 million was from sales of crude palm oil to PT Pacific Palmindo Industries, US$6 74 million was from sales of crude palm oil and palm kernels to PT Nubika Jaya

NOTE 4 Segment information CONTINUED

2010	PLANTATION			CATTLE	PROPERTY	OTHER	TOTAL
	INDONESIA	MALAYSIA	TOTAL	AUSTRALIA	MALAYSIA		
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Revenue	39,162	698	39,860	2,184	—	47	42,091
Gross profit/(loss)	21,680	(91)	21,589	251	—	47	21,887*
Gain on biological assets	17,589	—	17,589	—	—	—	17,589
Planting expenditure	(15,204)	—	(15,204)	—	—	—	(15,204)
Foreign-exchange gain							739
Other administrative expenses	(2,218)	207	(2,011)	(172)	—	(2,751)	(4,934)
Other income	—	218	218	—	—	—	218
Operating profit							20,295
Finance income	625	26	651	19	—	41	711
Finance costs	—	—	—	(1,647)	—	—	(1,647)
Group-controlled profit before tax							19,359
Tax	(6,645)	(10)	(6,655)	(52)	—	(1,329)	(8,036)
Group-controlled profit after tax							11,323
Share of associated companies' profit after tax	7,773	2,987	10,760	2,365	—	—	13,125
Profit after tax							24,448
Minority interests							(2,541)
							21,907
Consolidated total assets							
Assets	205,535	5,095	210,630	44,769	—	3,298	258,697
Investments in associates	49,345	—	49,345	60,379	19,855	—	129,579
	254,880	5,095	259,975	105,148	19,855	3,298	388,276
Consolidated total liabilities							
Liabilities	23,233	10,342	33,575	28,738	—	3,621	65,934
Other information							
Additions to non-current assets	9,303	24	9,327	547	—	46	9,920
Depreciation	2,136	37	2,173	379	—	33	2,585
Retirement-benefit obligations	529	—	529	—	—	—	529

* US$682,000, which was reported in 2010 as other administrative expenses, has been reclassified as cost of sales The effect of this is to leave previously-reported operating profit for 2010 unchanged, but to lower both previously-reported gross profit and other administrative expenses for 2010 by US$682,000

NOTE 5 Employees

	2011 US$'000	2010 US$'000
Employee costs during the year		
Wages and salaries	9,405	7,979
Social-security costs	490	359
Retirement-benefit obligations (see note 24)	1,215	529
Other pension costs	205	208
	11,315	9,075

	NUMBER	NUMBER
Average number of persons employed (including executive directors)		
Estate manual	1,838	1,334
Local management	79	68
United Kingdom head office	6	6
	1,923	1,408

Details of directors' remuneration required by the Companies Act 2006 are shown within the report of the board to the shareholders on directors' remuneration on pages 39 and 40 and form part of these audited financial statements

NOTE 6 Finance income

	2011 US$'000	2010 US$'000
Interest receivable on bank deposits	1,078	711

NOTE 7 Finance costs

Interest payable on bank loans and overdrafts	2,935	1,647
Interest capitalised into the cost of property, plant and equipment	356	25

NOTE 8 Group-controlled profit before tax

	2011 US$'000	2010 US$'000
Profit before tax is stated after charging		
Depreciation of property, plant and equipment	**3,139**	2,585
Auditors' remuneration	**293**	288
Employee costs (note 5)	**11,315**	9,075

The analysis of auditors' remuneration is as follows

Fees payable to the Company's auditor and their associates for services to the Group *		
Audit of UK parent Company	**20**	20
Audit of consolidated financial statements	**74**	74
Total audit services	**94**	94
Audit of overseas subsidiaries	**125**	125
Total fees payable	**219**	219

* In addition to the above, fees of US$74,000 (2010 US$69,000) were payable to other firms for the audit of subsidiary companies

NOTE 9 Tax on profit on ordinary activities

United Kingdom corporation tax charge for the year	**342**	303
Relief for overseas taxation	**(342)**	(303)
	—	—
Overseas taxation	**10,523**	6,865
Adjustments in respect of prior years	**(5)**	9
Total current tax	**10,518**	6,874
Deferred taxation – origination and reversal of temporary differences (see note 23)	**(1,226)**	1,162
	9,292	8,036

The standard rate of tax for the year, based on the United Kingdom standard rate of corporation tax, was 26 49% (2010 – 28%) The standard rate of Indonesian tax was 25% for the current year (2010 – 25%) The actual tax charge is higher than the standard rate for the reasons set out in the following reconciliation

NOTE 9 Tax on profit on ordinary activities CONTINUED

	2011 US$'000	2010 US$'000
Profit on ordinary activities before tax	**24,350**	19,359
Tax on profit on ordinary activities at standard rate	**6,450**	5,421
Factors affecting the charge for the year		
Withholding tax on overseas dividends and interest	**2,309**	1,079
Unrelieved losses	**1,539**	108
Expenses not deductible for tax purposes	**270**	96
Unrealised Indonesian exchange gains not included in Group profit	**85**	913
Utilisation of losses brought forward	**(9)**	(17)
Lower rate applicable to disposals of fixed assets	**(14)**	(301)
Biological assets	**(35)**	(374)
Other exchange differences	**(79)**	656
Profits subject to lower rate of tax	**(349)**	(504)
Other differences	**(875)**	959
Total actual amount of current tax	**9,292**	8,036

NOTE 10 Dividends paid and proposed

2011 interim dividend – 2 25p per 10p share (2010 interim dividend – 2 00p)	**1,887**	1,663
2010 final dividend – 5 50p per 10p share (2009 final dividend – 5 00p)	**4,725**	3,993
	6,612	5,656

Following the year end, the board has proposed a final dividend for 2011 of 5 75p per 10p share, amounting to US$3 11 million Shareholders will again have the option to elect to receive the dividend in shares rather than in cash Further information is published in the report of the directors on page 33 The dividend will be paid on or after 21 June 2012 to those shareholders on the register at the close of business on 27 April 2012

NOTE 11 Basic and diluted earnings per share

The calculation of earnings per 10p share is based on

	2011 US$'000	2011 NUMBER OF SHARES	2010 US$'000	2010 NUMBER OF SHARES
Profit for the year attributable to the owners of M P Evans Group PLC	**35,522**		21,907	
Average number of shares in issue		**53,502,656**		53,206,617
Diluted average number of shares in issue*		**54,116,145**		54,059,915

* The difference between the number of shares in issue and the diluted number of shares is due to unexercised share options held by directors and key employees of the Group

Notes TO THE CONSOLIDATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 12 Goodwill

	2011 US$'000	2010 US$'000
At 1 January and 31 December	1,157	1,157

Goodwill is carried at cost The directors have tested goodwill for impairment, concluding that the carrying amounts are recoverable Goodwill has arisen in respect of the Group's new plantation projects in Indonesian in Kalimantan and on Bangka Island Given the size of the goodwill balance, the directors do not consider it necessary to provide detailed disclosures regarding the impairment review

NOTE 13 Biological assets

Non-current biological assets comprise plantation bearer assets The Group values these plantation assets using a discounted cash flow over the expected 25-year economic life of the asset The discount rate used in this valuation is 14% The price of the crop (oil-palm fresh fruit bunches) is taken to be the 20-year average based on historical selling prices or, where the plantation has its own mill, an inference based on the widely-quoted commodity price for crude palm oil delivered c i f Rotterdam The directors have concluded that using a 20-year average provides the best estimate of the prices to be achieved over the valuation period

Assumptions

The long-term average price and exchange rate used in determining the valuations were as follows

	31 DECEMBER 2011	31 DECEMBER 2010
Price of crude palm oil (US$ per tonne, c i f Rotterdam)	572	533
Exchange rate (Rupiah per US$)	9,068	8,891

Sensitivity in valuation of plantation assets

A change of US$25 in the price assumption for palm oil has the following effect on the valuation of plantation assets

	-US$ 25 US$'000	+US$ 25 US$'000
Subsidiaries	(14,681)	14,681
Associated companies	(11,854)	11,854
	(26,535)	26,535

A change of 1% in the discount rate has the following effect on the valuation of plantation assets

	-1% US$'000	+1% US$'000
Subsidiaries	9,596	(8,615)
Associated companies	5,374	(4,954)
	14,970	(13,569)

NOTE 13 Biological assets CONTINUED

Non-current biological assets	2011 US$'000	2010 US$'000
Gain in fair value		
Initial recognition	**4,224**	3,131
Current period	**13,712**	14,458
Total gain	**17,936**	17,589
Decreases due to disposal and reclassification	**(1,370)**	(207)
Change in carrying value of biological assets	**16,566**	17,382
At 1 January	**110,862**	93,480
At 31 December	**127,428**	110,862

	2011	2010
Crop (f f b) – tonnes	**250,900**	198,000
Fair value of crop (US$'000)	**26,525**	18,830

The only restrictions over biological assets are described in note 3(i) The Group's financial risk-management strategy for agricultural activity is described in the review of 2011 on pages 24 to 26

Presentation

In the balance sheet, the adjustment column shows that recognition of the biological-asset valuation replaces depreciated-historical-planting costs of US$65,670,000 (2010 US$52,416,000) which, prior to the adoption of IFRS, were included in the carrying value of property, plant and equipment These costs are now replaced by the biological bearer-asset adjustment which, including the Group's share of the asset recognised by associates together with the related deferred tax, amounts to US$137,621,000 (2010 US$119,068,000)

Notes TO THE CONSOLIDATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE 14 Property, plant and equipment

	FREEHOLD LAND US$'000	LEASEHOLD LAND US$'000	BUILDINGS US$'000	PLANT, EQUIPMENT AND VEHICLES US$'000	CONSTRUCTION IN PROGRESS US$'000	TOTAL US$'000
Cost or valuation						
At 1 January 2011	**29,176**	**15,237**	**14,468**	**17,097**	**5,644**	**81,622**
Additions	**26**	**3,380**	**—**	**783**	**27,600**	**31,789**
Re-classification	**—**	**—**	**17,137**	**13,293**	**(30,430)**	**—**
Exchange differences	**—**	**(7)**	**(13)**	**(7)**	**—**	**(27)**
Disposals	**—**	**—**	**(458)**	**(1,449)**	**—**	**(1,907)**
At 31 December 2011	**29,202**	**18,610**	**31,134**	**29,717**	**2,814**	**111,477**
Accumulated depreciation						
At 1 January 2011	**—**	**358**	**3,393**	**9,811**	**—**	**13,562**
Charge for the year	**—**	**12**	**963**	**2,164**	**—**	**3,139**
Exchange differences	**—**	**—**	**(4)**	**(10)**	**—**	**(14)**
Disposals	**—**	**—**	**(42)**	**(1,198)**	**—**	**(1,240)**
At 31 December 2011	**—**	**370**	**4,310**	**10,767**	**—**	**15,447**
Net book value at 31 December 2011	**29,202**	**18,240**	**26,824**	**18,950**	**2,814**	**96,030**
Cost or valuation						
At 1 January 2010	25,713	16,310	17,554	11,207	470	71,254
Additions	52	893	1,451	1,623	5,901	9,920
Re-classification	—	—	(5,100)	5,100	—	—
Exchange differences	3,411	27	587	443	—	4,468
Disposals	—	(1,993)	(24)	(1,276)	(727)	(4,020)
At 31 December 2010	29,176	15,237	14,468	17,097	5,644	81,622
Accumulated depreciation						
At 1 January 2010	—	354	5,480	5,488	—	11,322
Charge for the year	—	4	675	1,906	—	2,585
Re-classification	—	—	(2,841)	2,841	—	—
Exchange differences	—	—	85	250	—	335
Disposals	—	—	(6)	(674)	—	(680)
At 31 December 2010	—	358	3,393	9,811	—	13,562
Net book value at 31 December 2010	29,176	14,879	11,075	7,286	5,644	68,060
Net book value at 1 January 2010	25,713	15,956	12,074	5,719	470	59,932

As at 31 December 2011, the Group had entered into contractual commitments for the acquisition of property, plant and equipment of US$424,000 (2010 US$1,227,000)

Depreciation, other than US$28,000 (2010 US$35,000) charged to other administrative expenses, is charged to cost of sales

NOTE 15 Investments in associates

Details of the principal subsidiary and associated undertakings are given on page 74 The Group's associated companies are all unlisted

	SHARE OF NET ASSETS 2011 *US$'000*	SHARE OF NET ASSETS 2010 *US$'000*
Share of net assets		
At 1 January	**128,578**	111,706
Exchange differences	**(352)**	11,011
Acquisitions	**—**	7,190
Profit for the year	**24,638**	13,125
Net dividends received	**(22,206)**	(14,454)
At 31 December	**130,658**	128,578
Goodwill		
At 1 January	**1,001**	881
Acquisition	**—**	120
At 31 December	**1,001**	1,001
Carrying value		
At 31 December	**131,659**	129,579
At valuation		
Unlisted (directors' valuation)	**201,000**	184,000

The Group's aggregate share of the summarised results of its associated undertakings is shown below

	PT AGRO MUKO (36 84%) *US$ 000*	PT KERASAAN INDONESIA (38 00%) *US$'000*	NAPCo (34 37%) *US$'000*	BERTAM PROPERTIES (40 00%) *US$'000*	TOTAL *US$'000*
2011					
Revenue	**35,952**	**4,072**	**23,665**	**9,033**	**72,722**
Profit after tax	**16,269**	**2,352**	**4,231**	**1,786**	**24,638**
Assets	**46,428**	**6,097**	**162,484**	**24,211**	**239,220**
Liabilities	**(2,689)**	**(258)**	**(98,896)**	**(5,718)**	**(107,561)**
Net assets	**43,739**	**5,839**	**63,588**	**18,493**	**131,659**
2010					
Revenue	23,275	3,720	13,405	8,484	48,884
Profit after tax	6,096	1,677	2,365	2,987	13,125
Assets	46,774	5,726	112,328	24,903	189,731
Liabilities	(2,873)	(282)	(51,949)	(5,048)	(60,152)
Net assets	43,901	5,444	60,379	19,855	129,579

NOTE 16 Investments

Other available-for-sale financial investments (unlisted)	2011 US$'000	2010 US$'000
At 1 January	**149**	2,642
Exchange differences	**(4)**	15
Disposal of investment	—	(2,508)
At 31 December	**145**	149

The directors have reviewed the fair values of the Group's available-for-sale investments and concluded that their realisable market value exceeds their carrying value

NOTE 17 Current biological assets

	LIVESTOCK US$'000 (2011)	CROPS US$'000 (2011)	TOTAL US$'000 (2011)	LIVESTOCK US$'000 (2010)	CROPS US$'000 (2010)	TOTAL US$'000 (2010)
Gain in fair value	**2,279**	—	**2,279**	2,869	—	2,869
Increase due to purchases	**2,062**	—	**2,062**	5,131	—	5,131
Decreases due to disposal and reclassification	**(2,435)**	—	**(2,435)**	(2,188)	(726)	(2,914)
Net exchange differences	**(19)**	—	**(19)**	255	—	255
Change in carrying value of biological assets	**1,887**	—	**1,887**	6,067	(726)	5,341
At 1 January	**7,991**	—	**7,991**	1,924	726	2,650
At 31 December	**9,878**	—	**9,878**	7,991	—	7,991

	2011	2010
Livestock		
Head sold (number)	2,177	2,181
Cattle revenue (US$'000)	**2,435**	2,184

NOTE 18 Inventories

	2011 US$'000	2010 US$'000
Processed produce for sale	**3,352**	2,216
Estate stores	**1,204**	925
Nurseries	**4,026**	4,780
	8,582	7,921

NOTE 19 Trade and other receivables

	2011 US$'000	2010 US$'000
Trade receivables	**1,667**	1,635
Other receivables	**3,749**	8,446
Prepayments and accrued income	**9,023**	14,307
	14,439	24,388

Trade and other receivables analysed by currency of receivable

Indonesian Rupiah	**11,932**	22,775
Malaysian Ringgit	**997**	1,292
US Dollar	**929**	50
Australian Dollar	**470**	216
Sterling	**111**	55
	14,439	24,388

Sales of palm oil are generally made for cash payment in advance of delivery The Group makes full provision against invoices outstanding for more than 30 days At 31 December 2011 there was no provision for impairment of trade receivables (2010 US$ nil) The directors consider the carrying amount of trade and other receivables approximate their fair value

The non-current debtor relates to tax recoverable after more than one year

NOTE 20 Cash and cash equivalents

Cash and cash equivalents	**52,755**	35,399

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less The carrying value of these assets approximates their fair value Of this balance, US$19 4 million (2010 US$3 48 million) has been pledged as security against bank loans

Cash and cash equivalents	**52,755**	35,399
Bank overdrafts and loans (see note 22)	**(25,255)**	(25,255)
Net cash	**27,500**	10,144

Additional information provided by the lender has led to US$10,175 previously reported as short-term borrowing at 31 December 2010 being reclassified as long-term borrowing

NOTE 21 Trade and other payables

Trade payables	**5,427**	4,508
Amounts owed to associated undertakings	**120**	133
Other payables	**9,267**	3,637
	14,814	8,278

The average credit period taken for trade purchases is 39 days (2010 - 32 days) The Group has processes in place to ensure payables are settled within the agreed terms

Notes TO THE CONSOLIDATED ACCOUNTS

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NOTE 22 Borrowings

	2011 US$'000	2010 US$'000
Secured borrowing at amortised cost		
Bank overdrafts	25,255	25,255
Bank loans	31,450	10,175
	56,705	35,430
Total borrowings		
Amount due for settlement within 12 months	25,255	25,255
Due for settlement in one to five years	31,450	10,175
	56,705	35,430

Borrowings on bank overdraft are treasury bills which are payable within one year but can be rolled over within the limits of the facility They are secured on the assets of the Woodlands cattle aggregation

Analysis of borrowings by currency

	US DOLLARS US$'000	AUSTRALIAN DOLLARS US$'000	MALAYSIAN RINGGIT US$'000	TOTAL US$'000
31 December 2011				
Bank overdrafts	—	25,255	—	25,255
Bank loans	13,018	—	18,432	31,450
	13,018	25,255	18,432	56,705
31 December 2010				
Bank overdrafts	—	25,255	—	25,255
Bank loans	—	—	10,175	10,175
	—	25,255	10,175	35,430

Facilities drawn during the year

During the year, loans of US$8 26 million were drawn in Malaysia and US$13 02 million were drawn down on a new facility in Indonesia

Undrawn borrowing facilities

At 31 December 2011, the Group had available US$7 93 million of a US$20 95 million loan facility agreed during the year with an Indonesian lender In addition, the Group had available MYR1 57 million (2010 MYR18 75 million) of undrawn committed borrowing facilities from a Malaysian lender in respect of which all conditions precedent had been met, as well as an undrawn overdraft facility of A$500,000 (2010 A$500,000) from an Australian lender

Interest rates

The weighted-average interest rates paid during the year were as follows

	2011 %	2010 %
Bank overdrafts	4 9	4 7
Bank loans	7 0	7 0

NOTE 23 Deferred tax

The following are the major deferred-tax liabilities and assets recognised by the Group and movements thereon

	ACCELERATED TAX DEPRECIATION US$'000	REVALUATION OF LAND US$'000	BIOLOGICAL ASSETS US$'000	RETIREMENT BENEFIT OBLIGATIONS US$'000	OTHER TIMING DIFFERENCES US$'000	TOTAL US$'000
At 1 January 2011	**2,343**	**3,746**	**14,597**	**(460)**	**(3,259)**	**16,967**
Charge/(credit) to income statement	**819**	—	**843**	**(295)**	**(2,593)**	**(1,226)**
Exchange differences	**(44)**	—	—	**14**	**134**	**104**
At 31 December 2011	**3,118**	**3,746**	**15,440**	**(741)**	**(5,718)**	**15,845**
At 1 January 2010	680	3,307	14,020	(306)	(2,258)	15,443
Charge/(credit) to income statement	1,574	—	577	(139)	(850)	1,162
Exchange differences	89	439	—	(15)	(151)	362
At 31 December 2010	2,343	3,746	14,597	(460)	(3,259)	16,967

Certain deferred-tax assets and liabilities have been offset The following is the analysis of deferred-tax balances (after offset) for financial reporting purposes

	2011 US$'000	2010 US$'000
Deferred-tax assets		
To be recovered after 12 months	**(2,808)**	(808)
Deferred-tax liabilities	**18,653**	17,775
	15,845	16,967

At the balance-sheet date, the Group had unused tax losses of US$26,484,000 (2010 US$16,417,000) available for offset against future profits A deferred-tax asset has been recognised in respect of US$15,764,000 (2010 US$8,316,000) of such losses No deferred-tax asset has been recognised in respect of the remaining US$10,719,000 (2010 US$8,074,000) due to the unpredictability of future profit streams These losses may be carried forward indefinitely

At the balance-sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred-tax liabilities have not been recognised was US$242,387,000 (2010 US$209,560,000) No liability has been recognised in respect of these differences because either the Group is in a position to control the timing of the reversal of the temporary differences, or such a reversal would not give rise to an additional tax liability

At the balance-sheet date, the aggregate amount of temporary differences associated with undistributed earnings of associates for which deferred-tax liabilities have not been recognised was US$86,059,000 (2010 US$86,226,000) No liability has been recognised in respect of these differences because either the Group is in a position to control the timing of the reversal of the temporary differences, or such a reversal would not give rise to an additional tax liability

At the balance-sheet date, the aggregate amount of temporary differences associated with outstanding executive share options for which deferred-tax assets have not been recognised was US$4,278,000 (2010 US$17,236,000) No asset has been recognised in respect of these differences due to the unpredictability of future profit streams

Notes TO THE CONSOLIDATED ACCOUNTS

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NOTE 24 Retirement-benefit obligations

The Group's only obligation relates to an unfunded, non-contributory, post-employment statutory benefit scheme in Indonesia A lump sum is paid to employees on retirement or on leaving the Group's employment This terminal benefit is accrued by the Group and charged in the income statement on the basis of individuals' service at the balance-sheet date Retirement is assumed at the earlier of age 55 years or 30 years' service No allowance is made for mortality or internal promotion

The main assumptions used to assess the Group's liability are

	2011 %	2010 %
Discount rate	**7 00**	8 75
Salary increase per annum	**8 00**	8 00
	US$ 000	*US$ 000*
Reconciliation of scheme liabilities		
Current-service cost	**1,036**	444
Interest cost	**182**	125
Actuarial gains/(losses)	**3**	(40)
Difference on settlement	**(6)**	—
	1,215	529
Less Benefits paid out	**(37)**	—
Movement in the year	**1,178**	529
At 1 January	**1,840**	1,251
Exchange differences	**(55)**	60
At 31 December	**2,963**	1,840

NOTE 25 Called-up share capital

	AUTHORISED *NUMBER*	ALLOTTED, FULLY PAID AND VOTING *NUMBER*	AUTHORISED *£'000*	ALLOTTED, FULLY PAID AND VOTING *US$'000*
Shares of 10p each				
At 1 January 2011	**87,000,000**	**53,357,455**	**8,700**	**8,987**
Issued during the year	—	**664,446**	—	**106**
At 31 December 2011	**87,000,000**	**54,021,901**	**8,700**	**9,093**
At 1 January 2010	87,000,000	52,271,315	8,700	8,821
Issued during the year	—	1,086,140	—	166
At 31 December 2010	87,000,000	53,357,455	8,700	8,987

During the year 566,465 (2010 - 976,100) 10p shares were issued as a result of the exercise of share options In addition, a further 97,981 shares (2010 - 110,040 shares) were issued to shareholders who elected to take scrip in lieu of cash dividends Total cash benefits received by the Company in respect of these allotments amounted to US$1,034,000 (2010 US$1,301,000)

NOTE 26 Share-based payments

The Company has a share-option scheme for directors and selected employees of the Group Options are exercisable at a price equal to the quoted market price of the Company's shares on the date of grant The vesting period is three years If the options remain unexercised after a period of ten years from the date of grant, the options lapse Options are forfeited if the employee leaves the Group before the options vest Details of the share options outstanding during the year are as follows

	2011		2010	
	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE *(IN BRITISH PENCE)*	NUMBER OF SHARE OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE *(IN BRITISH PENCE)*
At 1 January	**1,580,631**	**141 3**	2,556,731	120 8
Granted during the period	—	—	—	—
Exercised during the period	**(566,465)**	**100 1**	(976,100)	87 6
At 31 December	**1,014,166**	**164 3**	1,580,631	141 3
Exercisable at the end of the year	**964,166**	**155 5**	1,455,631	133 7

The weighted-average share price at the date of exercise for share options exercised during the period was 405p (2010 – 340p) The options outstanding at 31 December 2011 had a weighted-average remaining contractual life of 3 1 years and exercise prices in the range 126 5p to 385 0p The Group recognised total expenses of US$28,000 related to equity-settled share-based payment transactions (2010 US$66,000)

Details of the directors' share options are set out in the report of the board to the shareholders on directors' remuneration on page 40

NOTE 27 Reserves

	SHARE PREMIUM ACCOUNT *US$ 000*	REVALUATION RESERVE *US$'000*	CAPITAL REDEMPTION RESERVE *US$ 000*	MERGER RESERVE *US$'000*	SHARE OPTION RESERVE *US$'000*	SHARE OF ASSOCIATES' RESERVES *US$ 000*	FOREIGN EXCHANGE RESERVE *US$'000*	TOTAL *US$'000*	RETAINED EARNINGS *US$'000*
At 1 January 2011	**21,497**	**12,528**	**3,896**	**1,056**	**598**	**66,571**	**(1,093)**	**105,053**	**193,538**
Exchange differences	—	**(60)**	—	—	—	**(132)**	**1,157**	**965**	**(1,089)**
Issue of shares	**1,477**	—	—	—	—	—	—	**1,477**	—
Share-based payments	—	—	—	—	**26**	—	—	**26**	**2**
Dividends from associated undertakings		—	—	—	—	**(22,206)**	—	**(22,206)**	**22,206**
Profit for the financial year	—	—	—	—	—	**24,638**	—	**24,638**	**10,884**
Dividend paid (see note 10)	—	—	—	—	—	—	—	—	**(6,612)**
At 31 December 2011	**22,974**	**12,468**	**3,896**	**1,056**	**624**	**68,871**	**64**	**109,953**	**218,929**

NOTE 27 Reserves CONTINUED

	SHARE PREMIUM ACCOUNT US$ 000	REVALUATION RESERVE US$ 000	CAPITAL REDEMPTION RESERVE US$'000	MERGER RESERVE US$ 000	SHARE OPTION RESERVE US$ 000	SHARE OF ASSOCIATES RESERVES US$ 000	FOREIGN EXCHANGE RESERVE US$ 000	TOTAL US$ 000	RETAINED EARNINGS US$ 000
At 1 January 2010	19,770	11,975	3,896	1,056	540	57,664	(1,589)	93,312	173,365
Exchange differences	—	1,039	—	—	—	10,236	496	11,771	2,432
Issue of shares	1,727	—	—	—	—	—	—	1,727	—
Share-based payments	—	—	—	—	58	—	—	58	8
Other	—	(486)	—	—	—	—	—	(486)	117
Transfer on acquisition of minority	—	—	—	—	—	—	—	—	36
Dividends from associated undertakings	—	—	—	—	—	(14,454)	—	(14,454)	14,454
Profit for the financial year	—	—	—	—	—	13,125	—	13,125	8,782
Dividend paid (see note 10)	—	—	—	—	—	—	—	—	(5,656)
At 31 December 2010	21,497	12,528	3,896	1,056	598	66,571	(1,093)	105,053	193,538

The revaluation reserve relates to the revaluation surplus recognised under UK GAAP On transition to IFRS, the Group elected to treat the revalued amount of the non-current assets as their deemed cost.

NOTE 28 Note to the consolidated cash-flow statement

	2011 US$'000	2010 US$ 000
Profit for the year	**39,696**	24,448
Share of associated companies' profit after tax	**(24,638)**	(13,125)
Tax charge	**9,292**	8,036
Finance costs	**2,935**	1,647
Finance income	**(1,078)**	(711)
Operating profit	**26,207**	20,295
Biological gain	**(20,215)**	(20,251)
Planting expenditure	**15,619**	15,204
Disposal of non-current assets	**1,441**	1,903
(Add back)/wite down of land to be sold to smallholders' cooperative schemes	**(961)**	1,350
Release of deferred profit	**(54)**	(326)
Depreciation of property, plant and equipment	**3,139**	2,585
Retirement-benefit obligations	**1,215**	529
Share-based payments	**28**	66
Dividends from associated companies	**22,206**	14,454
Operating cash flows before movements in working capital	**48,625**	35,809
Increase in inventories	**(270)**	(622)
Decrease/(increase) in receivables	**10,846**	(10,760)
Increase in payables	**7,073**	515
Cash used in operating activities	**66,274**	24,942
Income tax paid	**(15,000)**	(3,878)
Interest paid	**(2,935)**	(1,647)
Net cash generated from operating activities	**48,339**	19,417

NOTE 29 Financial instruments

Capital-risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising returns to shareholders The capital structure of the Group consists of debt, (see note 22), cash and cash equivalents and equity attributable to the owners of the parent Company, comprising issued capital, reserves and retained earnings The Group is not subject to any externally-imposed capital requirements

The Group's board continues to monitor the capital structure based on the funding requirements of the Group At the balance-sheet date the Group had net cash of US$ 27,500,000 (2010 US$10,144,000) as shown in note 20, and equity attributable to the owners of the parent Company of US$337,975,000 (2010 US$307,578,000) The board intends to fund its continuing Indonesian expansion by a combination of the Group's cash resources, disposal of its remaining Malaysian interests and by securing additional borrowings

Categories of financial instruments

All of the Group's financial assets are classified as loans and receivables, with the exception of its other investments shown in note 16 which are classified as available-for-sale financial assets All of the Group's financial liabilities are measured at amortised cost

In the opinion of the directors, there was no significant difference between the carrying values and estimated fair values of the Group's primary financial assets and liabilities at either the current, or preceding, financial year end

Financial-risk-management objectives

The main risks arising from the Group's financial instruments are foreign-currency risk, interest-rate risk, credit risk and liquidity risk The board reviews and agrees the policies for managing these risks The policies and the impact of these risks on the Group's balance sheet at the end of the financial year are summarised below

Foreign-currency risk

The majority of the Group's operations are undertaken in Indonesia, Australia and Malaysia The Group does not have transactional currency exposures arising from sales or purchases by its operating units but the Group's balance sheet can be significantly affected by movements in exchange rates Whilst the Group's trading takes place in local currencies in South East Asia, relevant commodity prices are determined in US Dollars in a world market which reduces the Group's currency risk The Group has a policy not to hedge exchange-rate fluctuation and does not make use of forward-currency contracts

The currency profile of the Group's monetary assets, excluding trade and other receivables (the currency profile of which is given in note 19), are as follows

	2011 US$'000	2010 US$'000
US Dollar	31,565	18,446
Indonesian Rupiah	13,855	12,040
Malaysian Ringgit	5,218	2,924
Australian Dollar	1,303	798
Sterling	814	1,191
	52,755	35,399

The currency profile of the Group's monetary liabilities, excluding trade and other payables, is shown in note 22

NOTE 29 Financial instruments CONTINUED

The Group is exposed to changes in foreign-currency exchange rates This is in relation to the impact of movements on its non-US Dollar monetary assets, but also in relation to the consolidation of its non-US Dollar-functional-currency subsidiary and associated undertakings The most significant sensitivities arise in respect of movements in the Australian Dollar and Malaysian Ringgit Management estimates that a 10% weakening of the US Dollar against these currencies would have the following impact on the result and net assets of its two relevant associated undertakings

	2011 US$'000	2010 US$ 000
Australian Dollar		
Result for the year	225	502
Net assets	5,189	5,294
Malaysian Ringgit		
Result for the year	492	958
Net assets	2,905	2,839

Interest-rate risk

In order to optimise the income received on its cash deposits the Group continuously reviews the terms of these deposits to take advantage of the best market rates UK funds are passed through a broker to banks who have a credit rating of at least AA minus

The Group's only financial liabilities other than short-term trade and other payables are the borrowings referred to in note 22 The overdraft is denominated in Australian Dollars and interest is charged at a variable rate linked to the Australian base rate The loans, denominated in Malaysian Ringgit and US Dollars, carry interest charged at a floating rate related to US Dollar LIBOR

The Group's net position means it is not materially exposed to changes in interest rates on its floating-rate financial assets and liabilities

Credit risk

The Group's credit risk on cash deposits is described above Regarding trade receivables, the Group performs a credit evaluation before extending credit to customers The Group does not have any significant concentrations of credit risk (defined by management as more than 10% of gross monetary assets), other than in relation to bank deposits which management seeks to mitigate through the use of banks with high credit ratings The Group's maximum exposure to credit risk is represented by the carrying amount of financial assets in the financial statements

Liquidity risk

The Group manages liquidity risk by maintaining adequate cash reserves and banking facilities, and through active monitoring of the Group's forecast and actual cash flows All of the Group's monetary financial assets and liabilities have a maturity profile of less than eight years The maturity profile for financial liabilities is shown in note 22

NOTE 30 Related-party transactions

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out in the report of the board to the shareholders on directors' remuneration on page 39 The directors' participation in the executive share-option scheme is disclosed on page 40

The Group received dividends from its associated companies during the year These are set out in note 15 on page 59

Independent auditors' report

TO THE MEMBERS OF M P EVANS GROUP PLC, PARENT COMPANY

We have audited the parent-Company financial statements of M P Evans Group PLC for the year ended 31 December 2011 which comprise the Company balance sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice – "UK-GAAP")

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the statement of directors' responsibilities set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's "Ethical Standards for Auditors"

This report, including the opinions, has been prepared for, and only for, the Company's members as a body in accordance with chapter 3 of part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the parent Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

OPINION ON FINANCIAL STATEMENTS

In our opinion the parent-Company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2011,
- have been properly prepared in accordance with UK-GAAP, and
- have been prepared in accordance with the requirements of the Companies Act 2006

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the report of the directors for the financial year for which the parent-Company financial statements are prepared is consistent with the parent-Company financial statements

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent-Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

OTHER MATTER

We have reported separately on the Group financial statements of M P Evans Group PLC for the year ended 31 December 2011

Simon O'Brien *(Senior Statutory Auditor)*

for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, London

26 April 2012

Parent-Company balance sheet

AT 31 DECEMBER 2011

	NOTE	US$ 000	2011 US$ 000	US$ 000	2010 US$ 000
Fixed assets					
Tangible fixed assets	*(iv)*	**880**		895	
Investments	*(v)*	**44,210**		44,210	
			45,090		45,105
Current assets					
Debtors	*(vi)*	**49,565**		53,989	
Cash at bank and in hand		**8,868**		2,139	
		58,433		56,128	
Creditors – amounts falling due within one year	*(vii)*	**(46,552)**		(54,456)	
Net current assets			**11,881**		1,672
Total assets less current liabilities			**56,971**		46,777
Capital and reserves					
Called-up share capital	*(viii)*		**9,093**		8,987
Other reserves	*(ix)*		**28,928**		27,425
Profit and loss account	*(ix)*		**18,950**		10,365
	(x)		**56,971**		46,777

The financial statements on pages 70 to 73 were approved by the board of directors on 26 April 2012 and signed on its behalf

Tristan Price Philip Fletcher

Directors

Notes TO THE PARENT-COMPANY BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE i Significant accounting policies

Basis of accounting
The financial statements of the Company are presented as required by the Companies Act 2006 They have been prepared consistently on a going-concern basis under the historical-cost convention and in accordance with applicable accounting standards in the United Kingdom

The principal accounting policies are summarised below The directors have concluded that the functional currency is the US Dollar

Cash-flow statement
The Company has not included a cash-flow statement as part of its financial statements since the consolidated financial statements of the Group, (of which the Company is a member), include a cash-flow statement and are publicly available

Tangible fixed assets
Tangible fixed assets are stated at the historic purchase cost less accumulated depreciation Freehold property is not depreciated as the charge would be immaterial, but is tested for impairment Plant, equipment and vehicles are depreciated over their estimated useful lives at 25%

Fixed-asset investments

Fixed-asset investments in subsidiaries are shown at cost less provision for impairment

DEBTORS – these represent amounts due from customers in the normal course of business, are not interest bearing and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts, which are charged to the profit and loss account

CASH AT BANK AND IN HAND – these include cash in hand and deposits held with banks with original maturities of three months or less

CREDITORS – these are measured at amortised cost

NOTE ii Profit/(loss) for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year M P Evans Group PLC reported a profit for the year ended 31 December 2011 of US$15,195,000 (2010 loss US$3,558,000)

The auditors' remuneration for audit and other services was US$20,000 (2010 US$20,000)

NOTE iii Employees

	2011 US$'000	2010 US$ 000
Employee costs during the year		
Wages and salaries	1,077	902
Social security costs	137	115
Pension costs	157	129
	1,371	1,146
	NUMBER	NUMBER
Average monthly number of persons employed		
Staff	3	3
Directors	3	3
	6	6

Notes TO THE PARENT-COMPANY BALANCE SHEET

FOR THE YEAR ENDED 31 DECEMBER 2011

NOTE iv Tangible assets

	BUILDINGS US$'000	PLANT, EQUIPMENT AND VEHICLES US$'000	TOTAL US$'000
Cost			
At 1 January 2011	834	632	1,466
Additions	—	19	19
Disposals	—	(406)	(406)
At 31 December 2011	834	245	1,079
Accumulated depreciation			
At 1 January 2011	—	571	571
Charge for the year	—	30	30
Disposals	—	(402)	(402)
At 31 December 2011	—	199	199
Net book value			
At 31 December 2011	834	46	880
Net book value			
At 31 December 2010	834	61	895

NOTE v Investments

Subsidiary undertakings	AT COST US$'000	PROVISIONS FOR IMPAIRMENT US$'000	NET BOOK VALUE US$'000
At 1 January and 31 December 2011	57,906	13,696	44,210

The following companies are the principal direct subsidiary companies of M P Evans Group PLC

	COUNTRY OF OPERATION	HOLDING %
M P Evans & Co Limited	UK	100
Sungkai Holdings Limited	UK	100
Bertam (UK) Limited	UK, Australia	100
Sungkai Estates Limited	UK	100
The Singapore Para Rubber Estates Limited	UK	100

Holdings are all of ordinary shares Further information on the activity of the Group subsidiaries is given on page 74
The directors believe the carrying value of investments is supported by their underlying net assets

NOTE vi Debtors

	2011 US$ 000	2010 US$ 000
Amounts owed by subsidiary undertakings	49,456	53,934
Other debtors	46	28
Prepayments and accrued income	63	27
	49,565	53,989

NOTE vii Creditors – amounts falling due within one year

	2011 US$'000	2010 US$'000
Amounts owed to subsidiary undertakings	45,034	52,633
Other creditors	1,518	1,823
	46,552	54,456

NOTE viii Called-up share capital

See note 25 to the consolidated financial statements on page 64

NOTE ix Reserves

	SHARE PREMIUM ACCOUNT US$'000	CAPITAL REDEMPTION RESERVE US$'000	MERGER RESERVE US$'000	OTHER RESERVES US$'000	TOTAL US$'000	PROFIT AND LOSS ACCOUNT US$'000
At 1 January 2011	21,497	3,896	1,434	598	27,425	10,365
Issue of shares	1,477	—	—	—	1,477	—
Share-based payments	—	—	—	26	26	2
Profit for the financial year	—	—	—	—	—	15,195
Dividend*	—	—	—	—	—	(6,612)
At 31 December 2011	22,974	3,896	1,434	624	28,928	18,950

* See note 10 to the consolidated financial statements on page 55

NOTE x Reconciliation of movement in shareholders' funds

	2011 US$'000	2010 US$'000
Profit/(loss) for the financial year	15,195	(3,558)
Dividends paid	(6,612)	(5,656)
	8,583	(9,214)
Issue of shares	1,583	1,893
Share-based payments	28	66
Net increase/(decrease) in shareholders' funds	10,194	(7,255)
At 1 January	46,777	54,032
At 31 December	56,971	46,777

Subsidiary and associated undertakings

SUBSIDIARY UNDERTAKINGS

Details of the principal subsidiary undertakings as at 31 December 2011 are as follows

NAME OF SUBSIDIARY	% OF SHARES AND VOTING RIGHTS HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
PT Bilah Plantindo	80	Indonesia	Indonesia	Production of oil-palm f f b
PT Pangkatan Indonesia	80	Indonesia	Indonesia	Production of crude palm oil and palm kernels
PT Sembada Sennah Maju	80	Indonesia	Indonesia	Production of oil-palm f f b
PT Simpang Kiri Plantation Indonesia	80	Indonesia	Indonesia	Production of oil-palm f f b
PT Gunung Pelawan Lestari	90	Indonesia	Indonesia	Production of oil-palm f f b
PT Prima Mitrajaya Mandiri	92 5	Indonesia	Indonesia	Production of crude palm oil and palm kernels
PT Teguh Jayaprima Abadi	92 5	Indonesia	Indonesia	Production of oil-palm f f b
PT Evans Indonesia	100	Indonesia	Indonesia	Provision of consultancy services
Gubbagunyah Partnership	100	Australia	Australia	Beef-cattle farming
Bertam Consolidated Rubber Company Limited	100	England and Wales	Malaysia	Property development and production of oil-palm f f b
Bertam (U K) Limited	100	England and Wales	United Kingdom and Australia	Beef-cattle farming

The shareholdings in the above companies represent shares except Gubbagunyah Partnership which is a partnership and so has no class of share

ASSOCIATED UNDERTAKINGS

Details of the associated undertakings as at 31 December 2011 are as follows

	ISSUED, FULLY PAID SHARE CAPITAL	% HELD	COUNTRY OF INCORPORATION	COUNTRY OF OPERATION	FIELD OF ACTIVITY
Unlisted					
PT Agro Muko	Rp54 578 7m	36 84	Indonesia	Indonesia	Production of palm oil, palm kernels and rubber
PT Kerasaan Indonesia	Rp138 07m	38 00	Indonesia	Indonesia	Production of oil-palm f f b
The North Australian Pastoral Company Pty Limited	A$16 80m	34 37	Australia	Australia	Beef-cattle farming
Bertam Properties Sdn Berhad	MYR60 00m	40 00	Malaysia	Malaysia	Property development

Analysis of plantation land areas

AT 31 DECEMBER 2011

The information in the following pages does not form part of the audited financial statements

	OWNERSHIP	MATURE	IMMATURE	TOTAL PLANTED	INFRASTRUCTURE/ CONSERVATION AREAS	TOTAL	COOPERATIVE SCHEMES PLANTED
	%	HA	HA	HA	HA	HA	HA
Subsidiaries – oil palm							
Pangkatan	80 00	2,427	—	2,427	159	2,586	—
Bilah	80 00	2,420	436	2,856	105	2,961	—
Sennah	80 00	1,485	196	1,681	132	1,813	—
Total Pangkatan group		6,332	632	6,964	396	7,360	—
Simpang Kiri	80 00	2,489	—	2,489	165	2,654	—
Total Sumatra		8,821	632	9,453	561	10,014	—
East Kalimantan	92 50	3,687	5,478	9,165	2,015	11,180	3,619
Bangka	90 00	1,447	1,548	2,995	496	3,491	1,368
Total new Indonesian projects*		5,134	7,026	12,160	2,511	14,671	4,987
Total Indonesia		13,955	7,658	21,613	3,072	24,685	4,987
Total Malaysia - Bertam	100 00	65	—	65	5	70	—
Total majority owned		14,020	7,658	21,678	3,077	24,755	4,987
Group share of subsidiaries' land		11,834	6,966	18,800	2,764	21,564	—
Associates							
Agro Muko - oil palm	36 84	17,122	877	17,999	3,178	21,177	620
- rubber	36 84	1,169	589	1,758	—	1,758	—
		18,291	1,466	19,757	3,178	22,935	620
Kerasaan - oil palm	38 00	1,996	319	2,315	47	2,362	—
Total associates		20,287	1,785	22,072	3,225	25,297	620
Group share of associates' land		7,497	661	8,158	1,189	9,347	—
Memorandum							
Subsidiaries and Group share of associates		21,517	8,319	29,836	4,266	34,102	—
Group share of subsidiaries and associates		19,331	7,627	26,958	3,953	30,911	—

NOTE * The currently-estimated total plantable area for Group ownership is 11,400 hectares in East Kalimantan and 6,000 hectares on Bangka, for the cooperatives 4,600 hectares in East Kalimantan and 4,000 hectares on Bangka

5-year summary

	2011	2010	2009	2008	2007
	TONNES	TONNES	TONNES	TONNES	TONNES
Production					
Crude palm oil	**35,600**	30,000	27,000	22,300	19,500
Palm kernels	**8,700**	7,300	6,800	6,100	5,400
Crops					
Oil-palm fresh fruit bunches ("f f b ")					
Majority-owned estates – Indonesia	**249,300**	196,400	171,300	144,700	129,900
– Malaysia	**1,600**	1,600	1,700	16,800	32,600
– total	**250,900**	198,000	173,000	161,500	162,500
Associated-company estates	**403,800**	369,100	384,200	355,200	355,800
	US$	US$	US$	US$	US$
Average sale prices					
Crude palm oil – Rotterdam c i f per tonne	**1,123**	905	680	941	781
Exchange rates					
US$1 = Indonesian Rupiah – average	**8,763**	9,081	10,374	9,657	9,140
– year end	**9,068**	8,991	9,400	10,950	9,419
US$1 = Australian Dollar – average	**0 97**	1 09	1 28	1 20	1 20
– year end	**0 98**	0 98	1 11	1 43	1 14
US$1 = Malaysian Ringgit – average	**3 06**	3 22	3 52	3 33	3 44
– year end	**3 17**	3 08	3 42	3 46	3 31
£1 = US Dollar – average	**1 60**	1 55	1 57	1 85	2 00
– year end	**1 56**	1 57	1 61	1 44	1 99
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Revenue	**57,756**	42,091	28,391	30,387	21,265
Gross profit	**25,919**	21,887	11,705	13,834	10,619
Group-controlled profit before tax	**24,350**	19,359	15,338	23,447	17,286
	US CENTS	US CENTS	US CENTS	US CENTS	US CENTS
Basic earnings per share – continuing	**66 39**	41 17	31 92	48 88	70 94
– continuing and discontinued	**66 39**	41 17	34 94	96 26	82 32
	PENCE	PENCE	PENCE	PENCE	PENCE
Dividend per share	**8 00**	7 50	7 00	7 00	7 00
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Equity attributable to the owners of M P Evans Group PLC	**337,975**	307,578	275,498	249,178	223,412
Net cash generated by operating activities	**48,339**	19,417	12,311	8,825	15,182

Notice of meeting

NOTICE IS HEREBY GIVEN that the annual general meeting of M P Evans Group PLC will be held at Tallow Chandlers' Hall, 4 Dowgate Hill, London EC4R 2SH on 8 June 2012 at 12 noon for the following purposes

AS ORDINARY BUSINESS

1 To receive and consider the report of the directors and the audited consolidated financial statements for the year ended 31 December 2011
RESOLUTION ON FORM OF PROXY **No 1**

2 To re-elect Mr P E Hadsley-Chaplin as a director
RESOLUTION ON FORM OF PROXY **No 2**

3 To re-elect Mr P A Fletcher as a director
RESOLUTION ON FORM OF PROXY **No 3**

4 To re-elect Mr K P Legg as a director
RESOLUTION ON FORM OF PROXY **No 4**

5 To re-elect Mr R M Robinow as a director
RESOLUTION ON FORM OF PROXY **No 5**

6 To declare a final dividend
RESOLUTION ON FORM OF PROXY **No 6**

7 To re-appoint PricewaterhouseCoopers LLP as auditors and to authorise the directors to determine their remuneration
RESOLUTION ON FORM OF PROXY **No 7**

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolutions 8, 11, 12 and 13 will be proposed as an ordinary resolution and resolutions 9 and 10 will be proposed as special resolutions

8 That, in substitution for all existing unexercised authorities, the authority conferred on the directors by article 7 2 of the Company's articles of association be renewed (unless previously renewed, varied or revoked) for a period ending on the earlier of the date of the Company's next annual general meeting and 30 June 2013 and, for that period, the Section 551 Amount is £1,800,730
RESOLUTION ON FORM OF PROXY **No 8**

9 That, in substitution for all existing unexercised authorities, the authority conferred on the directors by article 7 3 of the Company's articles of association be renewed and extended (unless previously renewed, varied or revoked) for a period ending on the earlier of the date of the Company's next annual general meeting and 30 June 2013 so that the directors are authorised to allot shares pursuant to article 7 2 of the Company's articles of association and to sell treasury shares for that period in an aggregate amount of up to £270,110 (the section 561 amount)
RESOLUTION ON FORM OF PROXY **No 9**

10 That the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Companies Act 2006) of shares of 10p each in the capital of the Company provided that

(a) the maximum number of shares hereby authorised to be purchased is 5,402,190,

(b) the minimum price which may be paid for each share is 10p (exclusive of expenses),

(c) the maximum price (exclusive of expenses) which may be paid for each share is an amount equal to 105% of the average of the middle-market quotations for such shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day of purchase, and

(d) the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company or on 30 June 2013 whichever shall be the earlier save that the Company may, before the expiry of this authority, make a contract of purchase which will or may be executed wholly or partly after such expiry and may make a purchase of shares pursuant to any such contract
RESOLUTION ON FORM OF PROXY **No 10**

11 That

(a) the M P Evans Group PLC 2012 Approved Executive Share-Option Plan (the "Approved Plan"), the main terms of which are summarised in the appendix to the notice of the meeting and the draft rules of which have been produced to the meeting and for the purposes of identification only initialled by the chairman be adopted, and

(b) the directors be authorised to do all acts and things necessary to implement the Approved Plan including the making of any changes to the rules of the Approved Plan as may be necessary to obtain the approval of HM Revenue & Customs and/or such other approvals as the directors may consider necessary or desirable to obtain and/or to comply with London Stock Exchange, including AIM, requirements and/or institutional requirements
RESOLUTION ON FORM OF PROXY **No 11**

12 That

(a) the M P Evans Group PLC 2012 Unapproved Executive Share-Option Plan (the "Unapproved Plan"), the main terms of which are summarised in the appendix to the notice of the meeting and the draft rules of which have been produced to the meeting and for the purposes of identification only initialled by the chairman, be adopted, and

(b) the directors be authorised to do all acts and things necessary to implement the Unapproved Plan including the making of any changes to the rules of the Unapproved Plan as may be necessary to obtain such approvals as the directors may consider necessary or desirable to obtain and/or to comply with London Stock Exchange, including AIM, requirements and/or institutional requirements

RESOLUTION ON FORM OF PROXY No 12

13 That

the directors be authorised to establish any number of supplements or appendices to the Approved Plan and the Unapproved Plan (the "Plans") as they consider appropriate to take advantage of, or comply with, local laws and regulations, for the benefit of employees of the Company (or any of its subsidiaries) who are resident or working overseas or who are or would be subject to the laws of any other jurisdiction in relation to their participation in the Plans, and for whom participation in the Plans is undesirable or impractical but only if

(a) having regard to all the circumstances, any supplements, appendices or other employees' share plans provide, so far as the directors consider practicable, substantial equality of treatment between UK employees and employees resident overseas, and

(b) the overall limits on the number of ordinary shares in the Company which may be subscribed under all the Company's employees' share plans may not be increased

RESOLUTION ON FORM OF PROXY No 13

By order of the board

C Hayes
Company Secretary
26 April 2012

Please refer to notes below and appendix

NOTES

1 A member of the Company entitled to attend, speak and vote at the meeting convened by this notice may appoint a proxy to exercise all or any of his rights to attend, speak and vote at the meeting on his or her behalf A proxy need not be a member of the Company Appointment of a proxy will not subsequently preclude a member from attending and voting at the meeting in person if he or she so wishes A member may appoint more than one proxy provided that each proxy is appointed to exercise the rights attached to different shares held by the member The form of proxy contains instructions on how to appoint more than one proxy

2 A form of proxy for use at the meeting is enclosed Please return the form of proxy as soon as possible To be valid, it must be received by post or (during normal business hours only) by hand at the office of the registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ no later than 12 noon on 6 June 2012 (or, if the meeting is adjourned, no later than 48 hours before the time for holding the adjourned meeting, or, if a poll is taken otherwise than at or on the same day as the meeting at which it is demanded, no later than 24 hours before the time appointed for the taking of the poll)

3 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons") Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights

4 Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those shareholders registered on the register of members of the Company at 11 00 p m on 6 June 2012 (or, if the meeting is adjourned, 48 hours before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time Changes to the register of members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting

5 As at 26 April 2012, the Company's issued share capital consisted of 54,021,901 shares carrying one vote each Therefore the total number of voting rights in the Company as at that date was 54,021,901

6 Copies of the directors' service contracts and terms and conditions of appointment and copies of the draft rules of the new executive share-option plans will be available for inspection at the registered office of the Company during normal business hours and at the place of the meeting from 15 minutes prior to the meeting until its conclusion

7 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, but powers purported to be exercised by more than one authorised representative in respect of the same shares will be treated as not exercised

8 Members who wish to communicate with the Company in relation to the meeting should do so using the following means by writing to the Registrars at The Pavilions, Bridgwater Road, Bristol BS99 6ZZ No other methods of communication will be accepted In particular, no person may use any electronic address to communicate with the Company for any purposes other than those expressly stated in the relevant document

Any addressee of this notice who has sold or transferred all of the shares of the Company held by him or her should pass the annual report of which this notice forms part (including the form of proxy enclosed herewith) to the person through whom the sale was effected for transmission to the transferee or purchaser

APPENDIX TO THE NOTICE OF THE ANNUAL GENERAL MEETING

The Company is proposing to establish two new executive share-option plans to replace the executive share-option plans which expired in July 2011 and February 2012 The new plans will operate on a similar basis to the old plans A summary of the main terms of the new plans is set out below

Summary of the main terms of the M P Evans Group PLC 2012 Approved Executive Share-Option Plan (the "Approved Plan") and the M P Evans Group PLC 2012 Unapproved Executive Share-Option Plan (the "Unapproved Plan") (together, the "Plans")

1 THE PLANS

It is intended that the Approved Plan will be submitted for approval by HM Revenue & Customs ("HMRC") under schedule 4 to the Income Tax (Earnings and Pensions) Act 2003 The Unapproved Plan is not intended to be approved by HMRC The key differences between the Approved Plan and the Unapproved Plan are summarised in paragraph 12, but in all other respects the rules of the Plans are similar

2 ADMINISTRATION

The Plans will be administered by the board in accordance with their rules and in the case of executive directors a committee of non executive directors of the Company

3 ELIGIBLE EMPLOYEES

Options may be granted to those employees and full-time directors (being those directors who are obliged to devote substantially the whole of their working time to the Group) of the Company or any of its participating subsidiaries as the board may select

4 GRANT OF OPTIONS

Options may be granted

(a) within the period of three months following
- the date of adoption of the Unapproved Plan,
- receipt of HMRC approval of the Approved Plan, or

(b) during the period of 42 days following
- the preliminary announcement of the Company's results for any financial period,
- the expiry of restrictions imposed on the Company,
- the announcement or coming into force of any amendments to legislation affecting share-option plans, or

(c) at any other time if the board in its absolute discretion determines that the circumstances are sufficiently exceptional to justify the grant of an option

Options will be granted over ordinary shares in the capital of the Company ("Shares") No option may be granted later than ten years from the date of adoption of the Plans No options will be granted under the Approved Plan until HMRC approval is obtained Options granted under the Plans are personal to the option holder and may not be transferred Benefits under the Plans will not be pensionable

5 EXERCISE PRICE

The exercise price at which options may be exercised will be set by the board and cannot be less than the greater of

(a) the nominal value of a Share, and

(b) the market value of a Share on the dealing day immediately before the date of grant of an option (or, if the board so determines, the average of the market values of a Share on the three dealing days immediately before the date of grant of an option) and for these purposes, it has previously been agreed with HMRC that the market value will be, at any time when the Shares are listed, the middle-market quotation of a Share on the dealing day immediately before the date of grant of an option (or the average of the middle-market quotations for the three dealing days immediately before the date of grant of an option)

No consideration will be payable for the grant of an option

6 PLAN LIMIT

No option may be granted if, as a result, the aggregate number of Shares issued and issuable under options granted under the Plans or under any other employees' share plan adopted by the Company in general meeting would in any period of ten years exceed 5 per cent of the issued ordinary share capital of the Company

If options are to be satisfied by the transfer of existing Shares the percentage limit set out above will not apply The percentage limit will apply to options to be satisfied by the transfer of treasury shares if required by institutional investor guidelines

7 INDIVIDUAL LIMIT

An eligible employee will not, in any financial year, receive options under the Plans over Shares worth more on the date of grant than a maximum of 200% of such employee's annual remuneration

8 EXERCISE OF OPTIONS

An option will normally be exercisable between the third and tenth anniversary of the date of grant If the option holder dies, or if the option holder's employment terminates because of injury, disability, ill-health, redundancy, retirement, his employer ceasing to be a member of the Group or because the business in which he is employed is transferred out of the Group, his option will be exercisable for six months following the third anniversary of the date of grant If an option holder ceases to be employed for any other reason his options will lapse unless the board determines otherwise The board may permit options to become exercisable on cessation of employment earlier than three years from the date of grant Options will lapse ten years from the date of grant Special provisions will apply in the event of a takeover or liquidation of the Company

9 SHARES

Shares issued on the exercise of an option will rank pari passu with existing Shares except for any rights attached to such Shares by reference to a record date prior to the date of allotment

10 VARIATION OF SHARE CAPITAL

On any variation of the share capital of the Company by way of capitalisation or rights issue or by consolidation, sub-division or reduction of capital or otherwise, the board may make such adjustments as it considers appropriate to the exercise price and/or the number of shares comprised in an option, but so that there is no increase in the exercise price or reduction below nominal value No adjustment may be made without the prior written confirmation from the Company's auditors that it is in their opinion fair and reasonable

11 AMENDMENTS TO THE PLANS

The board may amend the Plans at any time in any respect The rules of the Plan relating to eligibility, limits on the number of Shares available under the Plans, the basis for determining an eligible employee's participation and adjustments for a variation of capital and to the amendment of the Plans may not, however, be amended to the advantage of existing or future option holders without the prior approval of the Company in general meeting except that the board may

(a) make any amendments necessary to take account of a change in legislation, and to obtain or maintain favourable taxation, exchange control or regulatory treatment of the Company, any of its subsidiaries or any option holder, and

(b) make minor amendments to benefit the administration of the Plans

No amendment may be made to alter to the material disadvantage of any option holder any rights already acquired by him without the consent of option holders holding options over at least 75 per cent of the Shares under option under the Plans

12 PROVISIONS RELATING ONLY TO HMRC-APPROVED OPTIONS

The main differences between the Approved Plan and the Unapproved Plan are

(a) a director will only be eligible to participate in the Approved Plan if he is obliged to devote not less than 25 hours per week to working for the Group,

(b) the board may not select anyone who has a material interest in the Company and is, therefore, prohibited from participating in the Approved Plan under HMRC rules,

(c) no option may be granted under the Approved Plan if, as a result, the aggregate market value of the Shares at the time of grant together with the aggregate market value of Shares (at the relevant date of grant) which the option holder could acquire on exercise of options under the Approved Plan or any other HMRC-approved company share-option plan of the Company (or any associated company) would exceed £30,000,

(d) any adjustment to options granted under the Approved Plan following a variation of share capital must be approved by HMRC, and

(e) any amendment to a key feature of the rules of the Approved Plan governing share options which affects the terms on which approved options may be granted or exercised will only become effective if approved by HMRC

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